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U.S. Congress. House.

Title:
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Place:
Washington, D.C.

Date:
1937

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(Continued on next card)

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TO CREATE A UNITED STATES HOUSING AUTHORITY

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES

SEVENTY-FIFTH CONGRESS

FIRST SESSION

ON

(H. R. 5033)

(S. 1685)

A BILL TO PROVIDE FINANCIAL ASSISTANCE TO THE STATES AND POLITICAL SUBDIVISIONS THEREOF FOR THE ELIMINATION OF UNSAFE AND INSANITARY HOUSING CONDITIONS, FOR THE PROVISION OF DECENT, SAFE, AND SANITARY DWELLINGS FOR FAMILIES OF LOW INCOME, AND FOR THE REDUCTION OF UNEMPLOYMENT AND THE STIMULATION OF BUSINESS ACTIVITY, TO CREATE A UNITED STATES HOUSING AUTHORITY, AND FOR OTHER PURPOSES

AUGUST 3, 4, 5, 6, 1937

UNITED STATES
GOVERNMENT PRINTING OFFICE
8938 WASHINGTON : 1937

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TO CREATE A UNITED STATES HOUSING AUTHORITY

TUESDAY, AUGUST 3, 1937

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., to consider H. R. 5033, Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Steagall, Goldsborough, Reilly, Hancock, Williams, Spence, Meeks, Kennedy, Ford, Brown, Patman, McKeough, Evans, Transue, McGranary, Wolcott, Fish, Luce, Crawford.

The CHAIRMAN. Gentlemen we have with us this morning Mr. LaGuardia, who, of course, needs no introduction to those of us in this end of the House, or to anybody else. He is mayor of the city of New York, and he represents the housing organizations of the country. He is here by invitation to discuss H. R. 5033.

Mr. LaGuardia, we will be very glad to hear you. You may proceed.

STATEMENT OF HON. FIORELLO H. LaGUARDIA, MAYOR OF THE CITY OF NEW YORK, AND PRESIDENT OF THE UNITED STATES CONFERENCE OF MAYORS

Mr. LAGUARDIA. Mr. Chairman and gentlemen of the committee, I appreciate the opportunity of appearing before you and presenting the views of the larger cities of this country. I represent the United States Conference of Mayors, which is composed of practically all cities of over 50,000 population. It is supported entirely by public funds, each city making an annual appropriation for the maintenance of the national headquarters in Washington and other current expenses. I say that in order to avoid any misunderstanding that this organization is subsidized or receives any assistance from any private sources. Only the cities are eligible to membership.

In our annual conference of November 18, 1936, held in Washington, a resolution was unanimously adopted asking Congress to enact housing legislation which would give the cities aid in meeting their housing problem. I will file the resolution with you, with your permission.

The CHAIRMAN. That may be made a part of the record.

(The resolution referred to is as follows:)

Whereas at the last session of the Congress the so-called Wagner housing bill was passed by the Senate but failed to come to a vote in the House; and

Whereas the principles embodied in the Wagner bill represent, in our judgment, the proper approach to meeting the needs for public housing for persons with low incomes; and

Whereas the situation with regard to the dire need for additional housing of this type is even more acute in many cities than it was at the time of our last annual conference: Therefore, be it

Resolved, That we again petition the President and the Congress to enact, early in the next session, the Wagner bill or legislation similar thereto in order that we, as cities, may meet our responsibility for providing decent, cheap, and healthful houses for those unable to secure such housing where housing is needed, as well as enabling the cities to eliminate the slum areas, with all their disgraceful conditions, where they exist.

Mr. LAGUARDIA. On March 13, 1937, at a regional conference of mayors held in Philadelphia, we brought that resolution up to date, and I will file that with you.

(The Philadelphia resolution referred to is as follows:)

Whereas there has now been introduced in the Congress of the United States the Wagner-Steagall housing bill; and

Whereas this legislation follows the principles recommended by the last two annual conferences of the United States Conference of Mayors; and

Whereas this legislation sets up a long-term program for the elimination of slum areas and the construction of low-rent housing: Therefore be it

Resolved, That this Philadelphia regional conference of the United States Conference of Mayors recommend to the Congress of the United States and the appropriate committees thereof the passage of this legislation at this time.

Mr. LAGUARDIA. In Los Angeles, at a regional conference of western mayors, held a few months ago, a like resolution was passed.

(That resolution is as follows:)

Whereas there has now been introduced in the Congress of the United States the Wagner-Steagall housing bill; and

Whereas this legislation follows the principle recommended by the last two annual conferences of the United States Conference of Mayors; and

Whereas this legislation sets up a long-term program for the elimination of slum areas where they exist and the construction of low-rent housing: Therefore be it

Resolved, That this Los Angeles Regional Conference of the United States Conference of Mayors recommend to the Congress of the United States and the appropriate committees thereof the passage of this legislation at this time.

Now, gentlemen, owing to the approach of the adjournment of Congress, we chose this way of presenting the views of the various cities, in order not to prolong these hearings, and I am sure that you will not have any requests from any of the mayors for time.

The CHAIRMAN. Mr. LaGuardia, in that connection, let me ask what your position is in the organization of the cities.

Mr. LAGUARDIA. I am the president for the present year.

The CHAIRMAN. And you appear here now representing that organization?

Mr. LAGUARDIA. That is correct.

The CHAIRMAN. In toto?

Mr. LAGUARDIA. By authority of that conference.

The CHAIRMAN. And under their instructions?

Mr. LAGUARDIA. That is right.

The CHAIRMAN. So you speak for them, and what you have said represents their views on this bill?

Mr. LAGUARDIA. That is correct.

The CHAIRMAN. All right.

Mr. LAGUARDIA. Now, gentlemen, you are considering one of the most interesting and novel bills that has ever been before this Congress, notwithstanding that a great many novel propositions have been before you in the last few years. Housing is a problem which requires the attention of the Federal Government.

Now, I will admit that at first blush, to suggest an appropriation of Federal funds for local housing purposes must shock some Members of Congress who are not familiar with conditions. If this were suggested 25 years ago, or even 10 years ago, I am sure that the Member suggesting it would have been laughed off of the floor of the House.

Mr. Chairman, I remember the time when you made some suggestions concerning our banking system that seemed so extreme in those days, like the insurance of deposits, that you could not get very far with them. Finally we lived to see the time that deposit insurance went through the House almost unanimously. I remember the time, gentlemen, when some of us suggested aid for the drought-stricken farmers of the State of Arkansas, and we were told to go and see the Red Cross.

Yet I think that this Republic has been saved, and the dignity of the American people maintained, by the Federal Government stepping in and providing aid and succor for the Americans who, through no fault of their own, found themselves destitute and unemployed.

Naturally, the functions of the Federal Government are constantly increasing. Before our time, and before the advent of the automobile, it never occurred to Congress to spend hundreds of millions of dollars every year for roads, but with the development of the internal-combustion engine, and the perfection of the automobile, and when travel, traffic, and commerce had become so common, the Federal Government had to step in and provide generously for roads, and that now is an accepted function of the Federal Government.

Then we come to the matter of public health, so closely related to the bill now before you that it may well be considered. It was found in the development of preventive medicine that a germ or a microbe could not recognize a State line. It was necessary for the United States Government to step in and establish a great United States Public Health Service to prevent the spread of contagious and epidemic diseases, and even that was shocking in the early days. Yet we developed one of the greatest health services in the world, and in research work, in the actual control of contagious disease, it stands as one of the outstanding features of our Government.

Now we have poured millions and hundreds of millions of dollars into schools, into public health, into relief, and yet we have conditions, not only in my city, but in every large city of this country, and in the smaller communities, where people are compelled to live in insanitary, cheerless, dangerous hovels. You will ask, How long has this condition existed? It varies in accordance with the age of the cities, but it was never so noticeable as it is now, first because of the increasing age of these dwellings, and the improved standard of living of our people, and the increased knowledge of the effect of the slums on the health and morals of the entire community. An interesting transition is taking place. In the old days, gentlemen—and many of you were here and remember it—we were receiving about a million immigrants a year, and we found that as one generation of immigrants improved their condition and moved out, this new immigration was ready to step into these old dwellings. They were perfectly satisfied to live there. When we stopped immigration, we had a chance to catch up, as it were, and there is no demand or

desire any more to live in these dilapidated, disease-breeding, fire-trap buildings. Therefore we have a shortage of decent low-rental buildings in every city.

Now, perhaps an outstanding example of this condition is Detroit. Let me read a telegram from the mayor of Detroit:

Please put official Detroit on record as whole-heartedly favoring the Wagner-Steagall housing bill. I know of no measure whose prompt enactment is so urgently needed. Quick passage of the Wagner-Steagall bill would benefit Detroit immeasurably as well as other midwestern industrial cities. The housing shortage here is acute. Literally thousands of families are dwelling in insanitary hovels. Their health and morals menaced if not already undermined by congested conditions that cry for immediate remedy.

The sociological need for building is great but there is an economic blockade somewhere. Only yesterday bankers interviewed by the press denied they were withholding money for construction; insurance companies likewise say they are lending locally on every secured risk, but the jam is there. I think the key log is the Wagner-Steagall bill. Pass that and Detroit will do its part to service its homeless legions.

Let me cite one instance. A railroad corporation voted 3 months ago to move 3,000 families to Detroit. It hasn't done so because it cannot find homes for them. Today a harassed father writes to the Detroit News and actually posts his rent in advance. His family's rented home has been sold from under them. The new buyers, heretofore homeless themselves, are moving in.

Such conditions breed sociological problems that ultimately burden the taxpayers more heavily than if the conditions were met and solved now. Too, Communist agitators are sowing fertile seed right now among the dispossessed. Fathers of families are turning into petty thieves to support their broods. Municipal officials are trying to deal sympathetically with such cases knowing full well that they cannot expect homeless folks to give three cheers for the law that makes or leaves them homeless.

So give us a law, I implore of you, that will put a roof over the heads of these embryo radicals. It's their just due. It's our job to see that they get that.

Detroit's common council recently named a housing investigating committee of which I am chairman. The investigation was precipitated by the newspaper stories to the effect that rats had bitten babies in some so-called homes. Inquiry proved the stories true. The rat-bitten babies were housed in places that had been vandalized during the depression. It was the best their fathers could afford.

The housing committee here found other instances by the hundreds that goaded us into action. One family of eight was living in 1 room of a vermin-infested place of 35 rooms, each room of which was occupied by social pawns eager to better themselves but unable to do so.

The Congress has the enviable opportunity of solving this acute problem by enacting the Wagner-Steagall bill. It will help every city to help its homeless legions. The need is dire. The solution is at hand. Let us act now.

Respectfully,

JOHN W. SMITH,
Acting Mayor of Detroit, Mich.

He refers to the availability of funds, and here is the answer. Funds are available, money is available for buildings, but not for the kind of buildings—or let me put it this way, not for buildings to be rented at such low rental to take care of the low-wage groups in the cities. You would not be considering this bill, and we would not be here before you if private capital could put up these homes and rent them at a rate that the low-wage groups could pay under present conditions, considering the cost of material, of labor, and land values. Mark you, where the need is greatest, the land value is the highest, by reason of this great demand and the congestion. So private capital going into Detroit could put up the right kind of buildings, but the rental would be so high in order to get even a low return on the investment that this large group of our citizens

could not avail themselves of these additional quarters. That is true in New York, and that is true in every large city of the country.

In the old days, of course, the low rents were available because, first, the original investment was comparatively low and the houses were run down; second, because of congestion and conditions not now permitted by law and standards. These old buildings had been through three, four, or five different stages of occupancy. In New York City, in Chicago, and in Philadelphia we have slums that at one time were the residences of the well-to-do. From that they passed to leased homes, then they passed to the boarding-house and rooming-house stage, and then they were converted into two- or three-family houses and became the slums of our cities. With the influx of immigration, these old dilapidated, run-down buildings, where they spent no money for repairs or maintenance, were used and occupied by the new immigrants. Now they are 25 years older than they were, they are completely dilapidated, in many instances their pipings are so corroded that water cannot be obtained on the third floor, and the sewerage is beyond repair. That is what the mayor of Detroit refers to.

Then I have these telegrams, which I will put into the record, from Mayor Neville Miller, of Louisville; from Mayor Shaw, of Los Angeles; from Mayor Wilson, of Philadelphia; from Acting Mayor Devine, of Milwaukee; from Mayor Maestri, of New Orleans; and from Mayor McLevy, of Bridgeport, Conn., and I have here a large number of letters covering almost every section of the country——

Mr. FISH. Do you want those to go into this record?

Mr. LAGUARDIA. Please.

The CHAIRMAN. It will be done.

Mr. LAGUARDIA. Thank you.

(The telegrams referred to are as follows:)

LOUISVILLE, KY., *Aug. 2, 1937.*

PAUL V. BETTERS,
United States Conference of Mayors,
Washington, D. C.

On behalf of the city of Louisville and the Louisville Housing Commission, I wish to urge the passage by the House of Representatives of the housing bill as reported by the Senate. We believe the passage of bill is absolutely necessary to insure proper health and housing conditions for the urban centers of the country.

NEVILLE MILLER,
Mayor of Louisville.

LOS ANGELES, CALIF., *Aug. 2, 1937.*

PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

City of Los Angeles strongly urges adoption low-rent housing bill before adjournment present session of Congress. This will enable us to solve difficult housing problems. Have municipal commission organized and ready to act.

FRANK L. SHAW, *Mayor.*

PHILADELPHIA, PA., *August 2, 1937.*

PAUL V. BETTERS,
Executive Director, the United States Conference of Mayors:

As mayor Philadelphia I heartily endorse the provisions of the Wagner housing bill as a means to carry on work I have already started in Philadelphia to alleviate deplorable conditions within congested areas of the city; I urge

the United States conference of mayors to support this bill in order to help thousands of our citizens who are now living under substandard conditions which I have been fighting to eliminate.

S. DAVIS WILSON,
Mayor of Philadelphia.

MILWAUKEE, WIS., *August 2, 1937.*

PAUL V. BETTERS,
United States Conference of Mayors, Washington, D. C.:

Milwaukee is vitally interested in passage of Wagner housing bill for several important reasons—to relieve general housing shortage; to replace houses involved in extensive demolition program; to make provision for rehousing people in blighted districts, particularly negroes; and to provide regular employment for building-trades workers most severely affected by building slump. Two Federal housing projects, Greendale and Parklawn, take care of about one-half the demand for new housing units. In Milwaukee situation so serious that Milwaukee faces threat to health and safety, because of overcrowding through alteration of one- and two-family homes to accommodate multiple families in small apartments. Government housing, as proposed in Wagner bill, will check this tendency and bring added benefits. Respectfully urge favorable action.

HARRY J. DEVINE,
Acting Mayor of Milwaukee.

NEW ORLEANS, LA., *August 2, 1937.*

PAUL V. BETTERS,
United States Conference of Mayors:

This city and State deeply interested in passage of housing bill now before Congress and we feel confident entire Louisiana delegation will support it.

ROBERT S. MAESTRI,
Mayor of New Orleans.

BRIDGEPORT, CONN., *August 3, 1937.*

PAUL V. BETTERS,
Secretary, United States Conference of Mayors:

Citizens of Bridgeport, without distinction of race, creed, color, or politics, constantly urge the necessity of slum clearance as previously proposed Federal project on behalf of our people, I solicit your help. Please use your very best efforts to hasten slum clearance for Bridgeport.

JASPER MCLEVY.

CITY OF EL PASO, TEX., *April 4, 1937.*

PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR MR. BETTERS: Through the United States Conference of Mayors, I wish to be recorded as strongly endorsing the United States housing bill of 1937 (S. 1685), which is now before the Congress.

In a long-range program such as is contemplated under the act, the cost of eliminating the slums will not be any greater than the cost of keeping them, The difference in terms of social value is incalculable. American cities are already subsidizing their slums. The subsidy is hidden, yet undeniable. I believe the cities are ready for the program and that local government can be counted upon to do its part. The present bill combines admirably a recovery plan with a social and economic involvement. The movement is certain to be far-reaching in its effects, and nothing that has been attempted in our country in years is so fraught with potential social and economic gain to the entire Nation.

Sincerely yours,

R. E. SHERMAN, *Mayor.*

CITY OF MILWAUKEE, *April 12, 1937.*

To the Committee Holding Hearing on the Wagner-Steagall Bill (S. 4424).

GENTLEMEN: I wish to go on record unqualifiedly in favor of the above measure. My reason therefor is that while I publicly have taken the stand that there is a tremendous housing shortage in Milwaukee, and that houses must be built, particularly for those in the low-income group, I made it plain that if private capital will build these homes, I will be happy to render it support. If, on the other hand, private capital does not solve this problem it will be necessary to build such houses with Government money to meet this crisis.

Private capital, up to now, is not making any material headway in solving the housing crisis in Milwaukee, and while I stand ready under the terms of the Wagner-Steagall bill to cooperate with private agencies, I believe it imperative to make appropriations such as are therein provided for municipal housing, not only to spur on private initiative, but ultimately to build such houses through a local housing authority if necessary.

The city of Milwaukee is growing more rapidly than the average of larger cities. Our housing shortage is acute. We first tackled the slum problem by carrying on perhaps as great a program of demolition as any city. We now find, because of the shortage of houses, a rush to take out permits for alteration of houses built for one family to accommodate as many as nine families. The exact condition and the details thereof are described in a communication sent to our commissioner of health, Dr. John P. Koehler, under date of March 15, 1937, by our inspector of buildings, Mr. Leon M. Gurda, in a study being made to revise our ordinances so as to prevent this tendency to overcrowd. The material parts of that communication are hereto attached and marked "Exhibit A."

While Milwaukee and environs have been favored with two Federal housing projects, one, Greendale, designed to furnish homes for approximately 600 families, and the other, Parklawn, to accommodate about 526 families, these two projects, combined, no more than meet about one-half the demand for new housing units in our community.

I trust, for these reasons, you will recommend the measure favorably for adoption.

Very respectfully yours,

DANIEL W. HOAN, *Mayor of Milwaukee.*

EXHIBIT A

This department has been issuing numerous permits for alterations to existing buildings to house therein additional families in 1-, 2-, and 3-room dwelling units of exceedingly small areas. Existing regulations applicable to such occupancies, we believe, are insufficient and far below the accepted standards. We find that many buildings are needlessly overcrowded, and that this trend in housing is not based upon any sound economic reason, but if permitted to continue will surely affect the health and safety of the public.

Our observations further disclose that the creation of these small dwelling units and the crowding of 10 or more families into buildings formerly occupied by 1 family does not relieve the acute shortage of low-rent housing, for the occupants of these dwelling units are required to pay from $5 to $10 and more rent per week for such inadequate dwelling units.

Our records disclose that permits were issued during the month of January of this year to alter 12 buildings housing 2½ families per building in 5.7 rooms for each family, to house 5.42 families per building, 26 of which have 4.96 rooms per family and 39 families 1.67 rooms. During February, 27 buildings, housing 1⅛ families per building in 6.67 rooms for each family, were altered to house 3.26 families per building, 41 of which have 4.76 rooms per family and 47 families 2.19 rooms per family. In March, including the 8th, 12 buildings housing 1⅛ families per building in 6.0 rooms per family, were altered to house 2⅛ families per building, 24 of which have 4.75 rooms and 2 families 3.0 rooms. Under these permits 51 buildings housing originally 80 families have been altered to house 179 families.

The above records disclose the extent of crowding additional dwelling units in many of the buildings which are being altered under existing regulations. It must be remembered that in practically all of the cases the buildings were not enlarged and that the subdividing of these buildings into additional dwelling units is being done only by reducing room sizes.

During the last 6 years there have been constructed 2,284 dwelling units in new buildings, not including the housing units in the Parklawn project. During this same period we gained 992 dwelling units by alterations to existing buildings. While in the year 1934 only 103 dwelling units were gained by alterations to existing buildings, this figure increased to 285 in 1935 and 352 in 1936. In

view of the fact that during this period 2,039 dwelling units were eliminated by condemnation and because of the existing acute housing shortage, we estimate that during this year approximately 800 dwelling units will be crowded into existing buildings.

THE CITY AND COUNTY OF DENVER,
Denver, Colo., April 9, 1937.

Mr. PAUL V. BETTERS,
United States Conference of Mayors,
Washington, D. C.

DEAR MR. BETTERS: Our experience leads me to feel that the Wagner-Steagall housing bill would be very beneficial to Denver and probably every other city of Denver's class in the country.

Very truly yours,

BEN F. STAPLETON, *Mayor.*

CITY OF PITTSBURGH, *April 7, 1937.*

Mr. PAUL V. BETTERS,
Secretary, United States Conference of Mayors,
Washington, D. C.

DEAR PAUL: You may record me as a hearty supporter of the Wagner-Steagall bill represents our best present means of remedying our situation.

Very truly yours,

CORNELIUS D. SCULLY, *Mayor.*

THE CITY OF LOWELL, MASS, *April 9, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR MR. BETTER: The Lowell Housing Authority has been established since the first of this year and is now awaiting funds which will be made available under the Wagner-Steagall low-rent housing bill. The city of Lowell has appropriated $3,500 for initial administrative expense.

All prospective rehousing areas are the residuals of intensive cotton factory expansion in the early days now little more than a memory.

Very truly yours,

DEWEY G. ARCHAMBAULT, *Mayor.*

CITY OF HAMMOND, IND., *April 13, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR MR. BETTERS: The city of Hammond is vitally interested in and favors the passage of the Wagner-Steagall low-rent housing bill.

Hammond, with an estimated population of 75,000, is situated in the heart of the great industrial calumet district. And due to its particular advantages as a residential district for workers, working men employed in mills and factories situated all over the district, seek homes here.

We have large areas suitable for low-cost housing projects, some of which is already subdivided with the necessary sewers and other improvements already in.

Hammond has an acute housing shortage and with advancing rents, many of our people are already faced with the serious problem of finding any place to live. to say nothing of great numbers of others who would locate here if it were possible for them to secure living quarters at rents that they could afford to pay or at prices that they could afford to buy.

I am enclosing herewith a letter from the president of the Hammond Real Estate Board, which indicates the serious low-cost housing shortage in Hammond.

Yours very truly,

FRANK R. MARTIN, *Mayor.*

CITY OF FLINT, MICH., *April 5, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR SIR: Please express my whole-hearted endorsement of the Wagner-Steagall housing bill to the congressional committee.

The combination of local initiative and Federal assistance contemplated by the provisions of the Wagner-Steagall bill makes this legislation desirable. Its enactment will enable us to take another forward step in our program of making better housing available for families of our low-income group.

Sincerely yours,

HAROLD E. BRADSHAW, *Mayor.*

CITY OF RACINE, WIS., *April 3, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, Washington, D. C.

DEAR MR. BETTERS: I am glad you asked me for a statement regarding the Wagner-Steagall housing bill. I have indicated to you many times before that I have always been actively in favor of better housing.

We recognize in Racine that a very definite housing shortage exists among our lower-income groups. Our surveys indicate further, that there are a large number of homes now occupied by one, two, and often three and four families which are entirely unfit for human habitation, and should have been condemned a long time ago.

We have been loathe to proceed with the condemnation of these homes because there has been no place to which the people dispossessed could move, and I have felt that what they have now is better than nothing.

The time has come, however, when we must do something about the condemnation of these homes; when we must have them demolished if we are to assure the health and safety of the community as a whole.

The Wagner-Steagall bill may be the way out of this predicament. If we could receive assistance to the building of even a hundred or one hundred fifty homes, the situation would be greatly improved.

This is a very selfish viewpoint, since it considers merely the city of Racine. I recognize, however, that the conditions and the need for better housing in the larger American cities is indefinitely greater. I very definitely feel that if housing conditions and the great housing shortage which now exists in our larger cities, as evidenced by the numberless surveys which have been made, can be alleviated, not only those individual cities will benefit, but the Nation as a whole must feel the good effects of such social improvements.

I therefore wish to give this new housing bill my full support.

Sincerely,

WM. J. SWOBODA, *Mayor.*

CITY OF BETHLEHEM, PA., *April 5, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR MR. BETTERS: This is to inform you that I am heartily in accord with the Wagner-Steagall housing bill, which is now before Congress. It is my sincere belief that the officials of every community should endorse said bill. I do not know of any legislation that is more important at this time. For example, there is a shortage of houses in the city of Bethlehem, especially in the lower-income group, to whom low rentals are essential. I would say that we could use 500 such homes at the present time. While it is true that there is quite some activity in house building in Bethlehem, nobody appears to be interested in building homes for the low-wage earner, for the reason that they cannot get a fair return on their investment. Therefore, it is imperative that the Government provide good comfortable homes for the low-income group. It is my candid opinion that this country will not enjoy full recovery from the depression and satisfy the masses until every citizen is provided with proper standards of living. If private capital is unable to provide these

standards, then it is the duty of the Government to do so. In this way only can we expect to protect the welfare and happiness of our citizens.

With best wishes for much success in this most worthy cause, I am,

Sincerely yours,

ROBERT PFEIFLE, *Mayor.*

CAMBRIDGE, MASS., *April 2, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR SIR: This is to notify you that I am in favor of the Wagner-Steagall housing bill, which is now before Congress.

Will you please place me on record?

Yours very truly,

JOHN D. LYNCH, *Mayor.*

YORK, PA., *April 2, 1937.*

Mr. PAUL V. BETTERS,
Executive Director, United States Conference of Mayors,
Washington, D. C.

DEAR MR. BETTERS: Your letter of March 30, relative to the Wagner-Steagall housing bill, that is now before Congress, was discussed at a session of city council yesterday morning, and I assure you that we are heartily in accord with this bill. If and when such a program goes into effect, the cities thus empowered to clean up their slums will have something upon which to build decent homes for people of low income.

Very truly yours,

HARRY B. ANSTINE, *Mayor.*

CITY OF YONKERS, N. Y., *April 6, 1937.*

Honorable CHAIRMAN AND MEMBERS,
Committee on Education and Labor, United States Senate,
Washington, D. C.

GENTLEMEN: I welcome this opportunity to urge upon you your favorable consideration of the Wagner-Steagall low-rent housing bill (S. 1685), the passage of which is vital to the continuing welfare of the people in the city of Yonkers.

This is primarily an industrial city. Nearly one-third of the population, about 50,000 people, are now living in substandard housing that does not measure up to modern standards of health, safety, and general welfare. This is borne out by the fact that in a 10-year period 60 percent of the tuberculosis deaths occurred in poor residential areas housing 32 percent of the city's population. Similarly, 80 percent of the juvenile-court cases involve boys and girls living in these substandard areas.

Pursuant to a resolution of the common council, I appointed a municipal housing authority in June 1935, in order that a substantial start might be made toward correcting insanitary and overcrowded housing conditions by a program of slum clearance and new low-rent construction assisted by Federal funds.

Because of the curtailment of the scope of the Federal Government's housing program, decided upon in September 1935, Yonkers was unable to obtain a Federal loan and grant for a low-rent housing project, despite detailed studies and housing plans worked up by the municipal housing authority and submitted to the Housing Division of the Federal Emergency Administration of Public Works.

Since September 1935 our municipal housing authority has continued its work unceasingly and is now in an even better position than before to start low-rent housing construction without delay, as soon as funds are made available by the Federal Government.

Our need for new low-rent housing is becoming ever more critical, as the continuing influx of new industries into Yonkers is creating a shortage of available decent, safe, and sanitary housing accommmodations. The projects

contemplated by the municipal housing authority would be in a rental bracket below the lowest limit at which private initiative can afford to build new housing.

The city of Yonkers stands ready to do its part in assuming full responsibility for providing the services needed by a low-rent housing project—schools, parks, water mains, sewers, street paving, etc.; and in addition, will grant exemption from taxes, in accordance with the terms of the New York State housing law.

I am particularly favorably impressed by the provision in the Wagner-Steagall bill for annual Federal contributions to assure low rent, as a substitute for the previous policy of 45 percent outright capital grants. In this way an equitable scale of rents can be determined on the basis of the capacity to pay, of prospective tenants now living in substantial housing. The city government views the housing situation in Yonkers with grave concern and is convinced that there can be no adequate solution to the problem without the participation of the Federal Government. I wish, therefore, respectfully to urge that your committee report favorably upon the Wagner-Steagall bill.

Respectfully submitted.

JOSEPH F. LOEHR, *Mayor.*

CITY OF CAMDEN, *April 1, 1937.*

Mr. PAUL V. BETTERS,
Executive Secretary, Washington, D. C.

DEAR SIR: I am sending you copy of resolution which was adopted by the Camden city commissioners at a meeting held on March 25, 1937. The resolution is self-explanatory.

As the mayor of the city of Camden, I would urge the Members of Congress to use their best efforts toward the passage of the Wagner-Steagall housing bill, as it will prove to be beneficial to the local community back home.

Hoping that you present this message to the members of the congressional committee so that they will give it proper consideration, I remain,

Very truly yours,

GEORGE E. BRUNNER, *Mayor.*

RESOLUTION MEMORIALIZING CONGRESS OF THE UNITED STATES TO ENACT LEGISLATION GENERALLY DESIGNATED AS THE UNITED STATES HOUSING ACT OF 1937

Whereas there exists in the city of Camden a large number of dwelling houses which are in poor repair and which are not conducive to the best interests of those dwelling therein; and

Whereas inadequate housing breeds epidemics and crime, and in many instances such houses are permitted to come into disrepair and blight the neighborhood in which are located; and

Whereas a continuance of neighborhoods which may be properly styled slum neighborhoods is demoralizing and detrimental to the best interests of the city; and

Whereas the Federal Government from time to time has recognized the necessity of adequate housing and to that end has provided ways and means expressed in legislation of Congress of the United States to enable the municipalities of the country to abate the condition by slum clearance and the erection of model, habitable quarters; and

Whereas there is now pending before the Congress of the United States proposed legislation entitled "the United States Housing Act of 1937", being S. 1685 and H. R. 5033; and

Whereas the Board of Commissioners of the city of Camden, N. J., does recognize great benefit to its city by the enactment of the legislation contemplated in the aforedescribed housing act: Now, therefore, be it

Resolved, by the Board of Commissioners of the city of Camden, N. J.;

SECTION 1. That the United States Senate be, and it is hereby, memorialized to enact, at the earliest possible date, the United States Housing Act of 1937, being Senate bill no. 1685, and that the House of Representatives be, and it is hereby, memorialized to enact the identical measure, being H. R. 5033.

SEC. 2. That a copy of this resolution be sent to the President and Vice President of the United States, to the Speaker of the House of Representatives, to Hon. A. Harry Moore and Hon. William H. Smathers, United States Senators from New Jersey, and to the following Members of the House of Representatives from New Jersey: Charles A. Wolverton, Elmer H. Wene, William H. Sutphin,

D. Lane Powers, Charles A. Eaton, Donald H. McLean, J. Parnell Thomas, George N. Seger, Edward A. Kenney, Fred A. Hartley, Edward L. O'Neill, Frank W. Towey, Jr., Mary T. Norton, and Edward J. Hart.

On motion of——

——— ———.

March 25, 1937.

CITY OF HUNTINGTON, W. VA., *April 1, 1937.*

MR. PAUL V. BETTERS,
Executive Director, Washington, D. C.

DEAR SIR: I am very much in accord with the policy of this bill in helping to house the people of low incomes. If we can get this class of people from the old rut and huts that they live in, it would be one of the greatest things that this country could do.

Very truly yours,

GEORGE R. SEAMONDS, *Mayor.*

Mr. FORD. Mr. Chairman, first let me say that I am for a housing and slum clearance bill that will reach the lowest income groups. Second, that I am convinced that the Federal Treasury will have to make substantial contributions to such a plan to render it effective. Third, let me say that I insist that the bill must contain two limitations—one that the cost of a four-room unit must be limited and, second, that all the States must be permitted to participate.

It is also my opinion that the contribution of the Federal Government should be subject to review every 20 years. The amount of this contribution may be more, or it may be less, but binding Congress beyond 20 years seems to me to be bad legislative policy.

Mr. LAGUARDIA. Now, gentlemen, I have stated that private capital cannot build, operate, and maintain these buildings at a rental that a large group of our citizens can afford to pay. That is absolutely correct. Then you will ask, what is the percentage of aid required? What is it you ask the Federal Government to give? What do you want us to subsidize?—and a most interesting formula may be presented.

We ask the Federal Government to provide the "sunshine and air." That may sound rather romantic, but that is just exactly the difference in the cost of construction between a modern, sanitary building, and the old-type railroad-box form of building of the tenement house type. In other words, if private capital is building or attempting to build low-rent dwellings in the cities, they must occupy every inch of ground that the law permits them to occupy, so that the result is that you will have interior rooms, you will have rooms without proper ventilation and without proper sunshine, you will have congestion, you will not have the area required, and within a few years that building becomes a slum.

Let me perhaps better illustrate that. Here [exhibiting photographs] we have the old type of buildings that at one time were residences of owners and then later rented out, and then perhaps became boarding houses, and then were converted into these multifamily dwellings. You will see, gentlemen, how that building runs right through, occupying nearly the entire lot. There is hardly any air shaft or other space, and how it has become a slum. That area in New York City is on the lower East Side. We acquired that property for paper—in other words, the Housing Authority of the city of New York gave its paper for that property. The buildings had been condemned by the city as not being habitable, so all we paid for it

was less than the ground value. Then we entered into, I think, the most dramatic experiment, and I certainly got a greater thrill out of it than I did out of 16 months of war. We tore down those buildings and salvaged the bricks and the stone, and the hole in the ground, and we got relief labor, and, in the place of these houses, with the salvage material we put up these modern houses [illustrating with photographs.]

That was an experiment, of course, and we were more abused and ridiculed and kicked around, and we had demonstrations and mass meetings, and every two-by-four peanut politician in New York City became a great expert on building and told us how we were throwing money away, and how much it cost. Of course, it cost a lot. It was at the time of the very peak of unemployment, and we threw into these buildings and this procedure all of the skilled labor out of work; these interesting buildings are the result. I want to call them to your attention. Notice the space in between that building there [indicating] and you get the idea. Then here is one of the interiors, and here is a sitting room, and here is a dining room. Here is the community auditorium, and here is the community exercising or gymnasium room. Here is the children's room, and here is unused space for that sunshine that I am talking about. Here is the playground, and here is a little wading pool. Here is the children's playground.

There is a transformation, gentlemen, not only in the buildings, not only in the neighborhood, but, gentlemen, there is a transformation in the tenants themselves.

Mr. GOLDSBOROUGH. Mr. Mayor, in Baltimore, for instance, until you get to the suburbs, the houses of the city are established up against each other, just as they are there in the first picture. That is true all over the city. And my recollection is that the same condition exists in New York.

Mr. LAGUARDIA. That is right.

Mr. GOLDSBOROUGH. I mean all over the city of New York.

Mr. LAGUARDIA. That is right. Of course, in our newer apartments, Mr. Goldsborough, and in the better apartments they will go into a block and allow themselves this air space, with the courtyards and with shafts, so that you get sunshine all over; but, of course, that makes it very costly and property cannot possibly rent at the low rentals that this low-wage group requires.

In this instance, gentlemen, the transformation took place not only in the buildings, but in the tenants. We took the tenants right from that same neighborhood. We took the tenants from the worst type of buildings that we had. We have the same tenants now, and have had them for nearly 2 years, and they have come right up; they live right up to their new apartments. Their children are healthy and are attractive. The death rate has gone right down. Their homes are immaculately clean. There is cheer and the morale and cheerfulness has gone right up. And this is only a small experiment.

The United States Government has done a great job in New York. We have two demonstration units there that were constructed entirely by the United States Government. We went into a territory, in Williamsburg——

Mr. GOLDSBOROUGH. Mr. Mayor, may I ask you a question right at that point? Don't you find that under improved living conditions the whole attitude of the family changes, from the youngest to the oldest, and that it does not require a new generation for that to take place, but that the change takes place almost immediately?

Mr. LAGUARDIA. That is right. The environment does that, and that was the most gratifying project or undertaking that I have ever been connected with in my whole 30 years of public service—to see that very change that you refer to.

Now, in Williamsburg——

Mr. REILLY. What do you rent those houses that you built for?

Mr. LAGUARDIA. The one that I am talking about now is at $6.50 a room.

Mr. REILLY. And that covers all the costs?

Mr. LAGUARDIA. Of course not; no, sir.

Mr. REILLY. How much did it cost?

Mr. LAGUARDIA. That is just the point, sir. We built these with relief labor. If you will ask that question when we come to the Williamsburg houses, then we will have some interesting figures here.

Mr. FISH. As long as that question has been asked, you said that you would clarify your views as to low-cost housing in money values. You mean a room of from $5 to $7 when you refer to low-cost housing in New York City?

Mr. LAGUARDIA. I mean $5 a room; take $5 a room for New York, Chicago, and perhaps Philadelphia, but in other parts of the country that will be high, and desirable low rental there is lower. It is all relative though, because in other communities land values and the cost of construction are lower.

Mr. FISH. You mentioned the figure $5. You do not limit it to $5? You might go to $6?

Mr. LAGUARDIA. Yes; but $5 is just about right. Harlem is renting for about $6.50 today.

Mr. FISH. I thought that they were $8 or $9.

Mr. LAGUARDIA. No; it averages $7.

Mr. FISH. And your idea is that the low-cost housing in New York City should be below $6 a room?

Mr. LAGUARDIA. I would say that the ideal would be $5.

Mr. FISH. Then you would favor something in this bill that would limit that, because I think we can interpret what you say here to be that you want to take care of the people of low income.

Mr. LAGUARDIA. Yes; and private capital will take care of the rest, and, of course, that brings up the New York standard of other houses, too. This [illustrating with photograph] is the type of slum houses still in the great city of New York, and I bow my head in shame in showing you these houses. When visitors come to New York, I generally try to have a committee to meet distinguished gentlemen and I show them the skyscrapers to keep them from looking at this kind of stuff. The Federal Government has torn all of that down.

Mr. WOLCOTT. Under what authority has the Federal Government done this work in New York City?

Mr. LAGUARDIA. Under the Housing Authority.

Mr. WOLCOTT. Under what act? What set-up have we created?

Mr. LAGUARDIA. We first had a housing provision in the R. F. C. law, and then it was put in the first relief appropriation; then you had a separate $300,000,000 for housing.

Mr. WOLCOTT. There has been some criticism of this bill on the ground that it overlaps the work of the other relief agencies which we have set up; that we have already set up five distinct governmental entities which have for their purpose the creation of low-cost housing projects; and it seems to me that if that is true, we have bungled the whole housing program.

Mr. LAGUARDIA. No; I won't say that, as each one of these authorities that has been established by Congress has a different and separate function. You had one that was primarily and solely intended to bring relief and aid to the owner of the small home, the typical American, and if we could only get small-home ownership all over the country we would have no more problems. The owners of these small homes found themselves in financial embarrassment, either through loss of their positions, through loss of their jobs, or through reduced income during the depression, so that they were faced with foreclosure, and that was universal.

In New York City we have hundreds of thousands of these small homes, and that is equally true in every other part of the country, and in greater proportion in the smaller-size cities. In order to save these families their homes, the Congress provided means of taking over small home mortgages or otherwise secure them. It was one of the greatest things ever accomplished by Congress when it saved these hundreds of thousands of homes.

Mr. WOLCOTT. If I may interrupt there, the point that I wanted to make was this, that the plan apparently was not comprehensive enough to accomplish the purpose of this act.

Mr. LAGUARDIA. No; that had a different purpose.

Mr. WOLCOTT. We have already started slum-clearance projects in New York City and Detroit. I do not know what happened in Detroit; they got into some jam out there and never completed it, but we have already set up some authority having in mind the purposes of this act.

Mr. LAGUARDIA. That is right.

Mr. WOLCOTT. Wherein was that authority not comprehensive enough to accomplish the purposes of this act?

Mr. LAGUARDIA. They did not have enough money.

Mr. FISH. I think that you ought to clarify that a little bit. Did not that provision also take care of the rentals that are provided for in this particular act?

Mr. LAGUARDIA. No; and I will come to that in just a minute.

Mr. PATMAN. I think that the gentleman ought to be permitted to finish his statement.

Mr. WOLCOTT. There is no objection to developing this as he goes along, is there?

Mr. PATMAN. I am anxious to get the mayor's statement.

Mr. WOLCOTT. I have a deep regard for the mayor's interest in this matter, but I would like to develop this point here.

Mr. LAGUARDIA. The allotments for Federal and limited-dividend projects to which you refer comprise 52 different housing units in 35 or more cities, and the total expenditure has been $133,943,000. Included in that are the Williamsburg and Harlem units in my city.

Then we had another agency of government, created by Congress, for the purpose of stimulating employment, engaged in the rehabilitation and improvement and repair of private dwellings, and it has done a great job.

Now, taking all that we have learned, and we have learned a lot in this experiment, in connection with these demonstration houses, and having the facts before us, and knowing that what has been accomplished is just a drop in the bucket, we seek to embark on a comprehensive program to aid States and subdivisions of States in the construction of these much needed low-rental homes.

The Williamsburg section was selected by the city in conjunction with the Housing Division of the Public Works Administration as a typical slum area, and I won't give you now the story of the many delays that we had in the acquisition of that property. I think that there were over 1,600 different owners of property, and you can imagine what we had to go through. I will confess now that I think we violated at least 40 State laws and two constitutions to acquire title to all of that property in the time limit that was given to us by the Federal Government.

Here [exhibiting photograph] we are putting up a type of building that I call the zig-zag formation, which will show you again, gentlemen, what I mean by "air and sunshine" subsidy. Just look at that space in between, and look at the beautiful design of these buildings. The air and sunshine sections is right there [illustrating]. That large building is a school which the city of New York is putting up. The school cost us a million and a half. The blue lines will show you the area in its relation to the neighborhood.

Mr. HANCOCK. Referring to the question propounded by Mr. Wolcott, hasn't the serious obstacle which has faced the Housing Division of the Public Works Administration, so far as slum clearance is concerned, been that they did not enjoy the power of eminent domain in the acquisition of these properties? The courts have held that they did not have this power.

Mr. LAGUARDIA. I think that you have a decision on that. In New York City this is what we did: We proceeded under our local powers of eminent domain, and then conveyed the property to the Federal Government. Both our Housing Authority and the powers to acquire property and some bonds were sustained by our court of appeals.

Mr. HANCOCK. I have reference only to the Federal projects.

Mr. LAGUARDIA. This is strictly a Federal project. In this Williamsburg project we provide for 1,600 families. It is a model community center. Right in the middle of it we have built a junior-high school costing $1,500,000. At one corner of it we have a primary school, across the street, the city has a modern, up-to-date health center, a P. W. A. project, too. We built, I do not know how many miles of streets right through this entire unit, so that there you have, right in the center of this congested city area, this model, modern, cheerful, sanitary dwelling constructed by the Federal Government. We are going to rent that for less than $6 a room. It has, of course, electric light, electric cooking, and steam heat. Here [exhibiting photographs] you see the little sitting room, the bedroom, in one of the Harlem houses, which correspond to the Williamsburg group.

Mr. FORD. How much of a subsidy will this type of dwelling involve?

Mr. LAGUARDIA. I will come to that, and you are going to be shocked. I would say that in the Williamsburg project there is a subsidy, renting them at $6 a room, of about 60 percent. We might as well face the facts on this, gentlemen. The Williamsburg unit, as well as in the Harlem unit, are the very last word in multiple-dwelling construction. We have learned a great deal, and I believe the cost can be brought down. I am talking figures, and there is no use telling you that all we need is a small subsidy and we will get through with it, for it is not so. We need a very generous subsidy, but the subsidy provided in the Steagall bill, I believe is sufficient. I refer to the annual contribution:

> The annual contributions for any such project shall be fixed in uniform amounts, and shall be paid in such amounts over a fixed period of years.
>
> Annual contributions shall be strictly limited to the amounts and periods necessary, in the determination of the Authority, to assure the low-rent character of the housing projects involved.

Now, this—

> Such regulations may provide for rates of contribution based upon development, acquisition or administration cost, number of dwelling units, number of persons housed, or other appropriate factors: *Provided*, That the fixed contributions payable annually under any contract shall in no case exceed a sum equal to the annual yield at the going Federal rate of interest (at the time such contract is made) plus 1 percent upon the development or acquisition cost of the low-rent housing project involved.

That would permit us to rent within the limits that the low-wage group could afford.

Mr. HANCOCK. How many farmers in the United States, according to your information, would be eligible to subsidy assistance under the terms of the Wagner-Steagall bill? Would a single farm family receive a dollar of assistance?

Mr. LAGUARDIA. Including the rural areas, the director of the United States Conference of Mayors and Mr. Post, chairman of our Housing Authority, says about 8,000,000 families a year, but I would say that that includes the rural and mining communities.

Mr. HANCOCK. According to the statement made last night, by Senator Wagner over the radio, about 40 percent of the families of the United States have incomes less than $1,000. Now, where, in your opinion, should Federal aid cease? Are we to build for and subsidize all of these people out of the Federal Treasury?

Mr. LAGUARDIA. Well, of course, that depends entirely on the community; $1,000 in a city like New York, Chicago, Philadelphia, Boston, or Cleveland is a very low income for a family of five. But in a city, say, of 10,000 or 15,000 inhabitants, where in all likelihood a man may own his own little home, and have his own back-yard garden, his economic condition is far better on the $1,000 income than the head of a lamily in a large city.

Mr. HANCOCK. Mr. Mayor, you agree that legislation of this kind should be designed for that group of people in the lowest income group, do you not?

Mr. LAGUARDIA. That is true.

Mr. HANCOCK. Now, may I ask you this: Based upon the terms of this bill, how much money do you think the Federal Treasury will have to put out if we are going to be able in a reasonable and moderate way to give sunshine and air to eight and a half million

families in the United States? My heart is in the program but my head cautions care and common sense.

Mr. LaGUARDIA. Well, in the first place, you cannot really measure the benefits of this bill in dollars and cents, considering the preservation of life and the happiness that it brings, any more than you can justify the expenditure of huge amounts in time of emergency, such as war.

Mr. HANCOCK. Mr. Mayor, I am inclined to agree with you on that, considering the social aspects of this measure, in the long run it would probably cost the American people less to eliminate the slums than to continue to maintain the slums.

Mr. LaGUARDIA. I think so.

Mr. HANCOCK. But I am just wondering what you think the total cost involved will be to the Treasury of the United States. We must give thought to the cost to the taxpayers who have by self-denial built their own homes.

Mr. LaGUARDIA. Well, I think that the Steagall bill provides sufficient for the first 4 years. I understand that the Senate bill provides for a 3-year program. Now, I think that during that time you have provided all that can really be accomplished. There is a limitation to the speed and the extent of housing and the building of houses. We are limited, of course, in materials, and we are limited in available labor. We have to be very careful that we do not start too much at one time; otherwise we will not be able to complete anything.

In that respect, gentlemen, I want to put in the record an agreement which I have been able to obtain from the building trades in New York City. I presented this to the Senate committee. It is dated April 14, 1937, and the agreement provides that on the commencement of a housing project they will stipulate the wages, and agree to maintain those wages throughout the construction of that building, and agree not to interrupt services or labor during the course of the construction of that particular unit. That is very helpful.

(The agreement referred to is as follows:)

BUILDING AND CONSTRUCTION TRADES COUNCIL,
New York City, April 14, 1937.

Hon. FIORELLO H. LaGUARDIA,
Mayor of the City of New York, City Hall, New York, N. Y.

DEAR SIR: On behalf of the Building and Construction Trades Council, consisting of the various trades in the building industry, a list of which is attached herewith, we hereby authorize Mayor F. H. LaGuardia to state for them in any statement, testimony, or negotiation with Federal or State authorities in connection with any low-cost housing program in which the Federal, State, or municipal government may be interested, that labor in the city of New York is willing to enter into agreements that—

1. To establish the rates of wages at the time the specifications are drawn and requests for bids advertised;

2. To enter into agreement with contractors that there will be no interruption of work during the course of the construction of the buildings provided for in the contract, with the understanding that proper and satisfactory machinery will be provided for the adjustment of any differences which might arise in such construction; and

3. To complete the work of the buildings covered by contracts without demands for additional compensation to that specified at the time the specifications are advertised.

In the event that union labor will not be available in any one trade, thereby causing stoppage or delay in the completion of the construction, arrangements will be made whereby the contractor might obtain such labor in other localities.

It is further understood that the men employed where a shortage occurs, shall be men competent in the trade to which they have applied themselves and eligible for membership in organizations having jurisdiction over the classification of work to be performed and shall apply to same for credentials or membership to prevent any interruption in the progress of the project.

Respectfully yours,

THOMAS A. MURRAY, *President.*
JOHN J. BRENNAN, *Secretary.*

Asbestos workers.
Blacksmiths.
Blue stone cutters.
Bricklayers.
Teamsters' and chauffeurs.
Cement and concrete workers.
Cement masons.
Derrickmen and riggers.
Electrical workers.
Engineers, stationary.
Excavators and building laborers.
Glaziers.
House shorers.
Iron workers.
Machinists.
Marble setters' helpers.
Millwright and machinery erectors.
Mosaic and terrazzo workers' helpers.
Pavers and rammers.
Plasterers.
Riggers and machinery movers.
Architectural sculptors.
Slate roofers.
Steamfitters' helpers.
Stonemasons.
Sheet-metal workers.
Steam fitters.
Soft-stone cutters.
Stone workers' rubbers and helpers.
Stone setters.
Stonemasons' helpers.
Tile layers.
Timbermen.
Waterproofers.
Asphalt workers.
Blasters.
Boilermakers.
Bricklayers' tenders.
Carpenters.
Carpet and linoleum layers.
Compressed air workers.
Dock builders.
Elevator constructors.
Engineers, portable.
Glass bevelers.
Granite cutters.
House wreckers.
Wood, wire, metal lathers.
Marble carvers and setters and cutters
Marble polishers.
Mosaic and terrazzo workers.
Painters.
Pipefitters.
Plumbers.
Rock drillers.
Tile layers' helpers.
Upholsterers.
Window cleaners.
United scenic artists.

Mr. LaGUARDIA. To get back to your question, I believe that the amount suggested in the Steagall bill is sufficient to do everything that we prudently can do during the first 4 years. I know that the amount is somewhat reduced in the Senate. We are in this position that, of course, the cities will take what they can get; but you are perfectly right, Mr. Hancock, in this, that once we start on it, all people will want to live in decent places, and, after all, that is the purpose of the legislation—and, I would say, highly desirable.

Mr. HANCOCK. I knew that you would be delighted to answer that, because your previous record here shows that you have always been frank and candid, and I think that legislation of this kind is very desirable; but we must admit that this bill is an entering wedge, and we should know the size of the block that the wedge is going into and let the country understand exactly our ultimate objective and its approximate aggregate cost.

Mr. LaGUARDIA. I will tell you where I got my idea of the fine standard of living of American workers. In my 14 years that I served here—and at times I feel that I would be much happier in being a third-rate Representative of a third-rate district than to be a first-rate mayor of a first-class city—I learned all about this fine standard of living during discussions of three tariff bills. We always boast about the American standard of living when we discuss a tariff bill, and I am glad to see my good friend from Massachusetts here, for

here is where I was inspired; I heard Mr. Luce talk about the standard of American workmen, and I was inspired about that, and I learned it right here in Congress, and all that I do now is to come here and say, "Let us put that standard into practice; let us have the American people live up to the standards that we boast about and sing about and write poetry about; let us make it something actual and real"; but as long as we compel Americans, through no fault of their own, by reason of economic conditions to live in such places as they do, then I say that in the long run the passage of this bill is not at all costly.

Gentlemen, I will admit that, perhaps, we could avoid all this by throwing in a few million dollars more for the United States Public Health Service, or throwing in a few million dollars more for our local health services, and throwing in a few million dollars more for our Federal penitentiaries and for our State prisons, and we would get along that way and have a riot here and there, and call out the troops now and then—yes; we would struggle along; but if you are in keeping with the modern trend, if you are in keeping with the policies and the viewpoints of the present administration here in Washington, that would not be your view. Surely they are not mine.

Mr. HANCOCK. I agree with you that we would probably not have such deplorable housing conditions in this country if our working classes of people had higher incomes, but I want you to talk with me about the practical aspects of this bill. We do not differ a bit about the social aspects of it. Would you mind telling me what, in your opinion, it would ultimately cost to carry out this program, as it should be, by treating all of our citizens approximately alike?

Mr. LAGUARDIA. I think that it would cost about one-third of what the World War cost us; but we would get something back, which we did not get back in connection with the expenditures during the World War.

Mr. HANCOCK. If we built 9 million dwelling units at an average cost of $4,000 per unit, that would cost approximately 36 billion dollars, would it not?

Mr. LAGUARDIA. Yes.

Mr. HANCOCK. I think that Mr. Green, the president of the American Federation of Labor, estimates that we will need, perhaps, around 16 million additional dwelling units between now and 1950. So, on the basis of $4,000 a unit, that would be about 64 billion dollars.

Mr. LAGUARDIA. I think $4,000, on the average, is a little too high.

Mr. HANCOCK. I was using the estimate placed in the record before the Senate Committee on Labor and Education, where they figured about $1,000 to $1,250 per room and three or four rooms to a unit.

Mr. LAGUARDIA. It won't cost that on a Nation-wide average.

Mr. HANCOCK. What would be your estimate of the cost on a Nation-wide average?

Mr. LA GUARDIA. I would bring it down considerably. I think that on a Nation-wide basis it would bring it down to about $1,000 a room.

Mr. HANCOCK. Now, is it your idea that the bulk of the financial burden should fall upon the Federal Government?

Mr. LAGUARDIA. It is.

Mr. HANCOCK. I notice in the hearings before the Senate committee you very frankly stated that in your opinion none of the cities that you represented as president of the Conference of Mayors of, or States——

Mr. LAGUARDIA. I can only speak for the cities, as you know.

Mr. HANCOCK. I think that you included the States, too—would not be able to make any substantial contribution to this program, other than by aiding in the acquisition of land, paving, servicing, and so forth.

Mr. LAGUARDIA. And service—water, sewerage, fire, police, and schools.

Mr. HANCOCK. I am talking about an initial outlay of cash.

Mr. LAGUARDIA. That is right. No city in this country can do it.

Mr. HANCOCK. I believe that you also stated, in response to a question when you were before the Senate committee, that in your opinion it would take about $1,000,000,000 to do a good job for New York City in keeping with the philosophy of this measure and its objectives.

Mr. LAGUARDIA. Yes. We do not expect to get that much.

Mr. HANCOCK. You will probably get more than any place else, if you keep up the record that you have been making.

Mr. LAGUARDIA. I do not think so. It is just the size of the city, Mr. Hancock.

Mr. HANCOCK. Under the terms of the bill, if perchance you should get a billion dollars—and I want to see as much good housing in New York City as sound financing will permit, but based on the maximum terms in the annual contribution plan—you would be paid about 3½ percent for 60 years in subsidies? Isn't that correct?

Mr. LAGUARDIA. That is right.

Mr. HANCOCK. Over a period of 60 years that would cost the Federal Government around $2,100,000,000, would it not?

Mr. LAGUARDIA. Whatever it amounts to mathematically.

Mr. HANCOCK. That is not figuring the present value of money, and I am just wondering, if the same condition obtains everywhere through the United States—and it seems to be your opinion that it does—what would be the ultimate cost or the liability of the Federal Government to do this job like it ought to be done and in keeping with the philosophy and objectives of this measure?

Mr. LAGUARDIA. It is like every other great undertaking of the Federal Government. The Federal Government has gone to the rescue, and properly so, of the farmers. It has spent hundreds of millions of dollars in road construction. It has spent hundreds of millions of dollars in public works. It is just one of the burdens of Government; and let me say this: That the old property owners of Russia would give anything today if they could only pay taxes to their Government and have their property.

Mr. HANCOCK. I agree with you 100 percent, but let me ask you this: As a matter of consistency, and of course we cannot always be consistent, and I think Senator Ashurst, of Arizona, said recently that "inconsistency would save the Nation", but within the past few weeks the President of the United States vetoed a little bill providing a temporary interest rate for farmers who borrowed money from the Federal land banks, where the interest rate was 3½ percent, and he vetoed it on the ground that he thought agricultural conditions were so improved that he thought the farmers should pay the going

business rate. We also know that the interest rate under the Home Owners Loan Corporation is 5 percent. How would you, as a Member of Congress, reconcile those two rates of interest with the one provided for under this bill on loans to limited dividend corporations of 2½ percent not to mention the additional subsidy to the occupants of the project?

I am just asking for information, because you know what we are up against when we get on the floor of the House.

Mr. LaGuardia. Yes; I do. I would say this: That, as you stated, there is one fine thing about being a Member of Congres, in that you do not have to reconcile anything. As a mayor, of course, that is different; we have to reconcile a whole lot of things, because we have to go out and raise the money for the things that we want to do. But, seriously——

Mr. Hancock. There are certain times with you during a 4-year period when you have to reconcile what you are doing with what you have done at other times.

Mr. LaGuardia. You have done pretty well in the past. You cannot improve on your past performances.

Of course, when you get into that interest rate matter, it is an entirely different subject, and if the money in this instance is available at 2½ percent, of course we ought to get the benefit of it. The bill is sufficiently broad to provide for the cost of the money as it is borrowed or acquired for the purpose of the construction of these housing units, and that is the amount of subsidy that you give us each year in order to guarantee and make possible the low rentals.

Mr. Wolcott. The President, in his press conference on June 8, virtually said that he would put thumbs down on any bill which would authorize a subsidy over a period of 60 years, as I understand this bill does, and advocated that this relief be given by a 40-percent outright grant by the Government in lieu of the subsidy.

I do not suppose that you are particularly interested as to how the relief is given, as long as it is given, but you know what we are up against in this respect, and I wish, if you have any information along that line, that you would give it to us.

Mr. LaGuardia. We have examined the 40-percent grant very carefully, and while it might be enough with the type of building and the low land values in certain mining districts and agricultural districts, it will not make possible the renting of these apartments in the large cities at the low rents required. It is not enough. With the experience that we have had in these 52 projects that I referred to, in 35 cities, 40 percent will not be enough.

Mr. Wolcott. Do you know what the difference in cost to the Federal Government will be between the 40 percent outright grant and the subsidies that are proposed in this bill?

Mr. LaGuardia. No; I have not figured that.

Mr. Fish. I would like to ask the mayor if he has given consideration to the advantages of single family houses as compared to the erection of these large apartment houses.

Mr. LaGuardia. Of course, the single family houses are always ideal. There is a beautiful illustration of that out here not very far, at Greenbelt, but in our cities, of course, you have this situation, that if you have a large number of family houses, you get into high land values. That is the difficulty there. We certainly would avail ourselves of the opportunity of putting in one- and two-family houses wherever we can out in Queens and on Staten Island, and in some sections of Brooklyn, and in the Bronx, but in the cities you get right back to land values, and that brings this up——

Mr. Fish. Is that provided for in this bill?

Mr. LaGuardia. I do not think that it is excluded at all.

Mr. Fish. It is not excluded?

Mr. LaGuardia. No. If the art improved to such an extent that the cost of one-family houses can be brought down, I think that we can take advantage of it in a city the size of New York and in most of our cities, and build very beautiful residential sections. Of course, you would have to have a difference in design there. If you have one or two houses all of the same finish and color, you create such a monotony that is distressing.

Mr. Fish. Of course, the gentleman knows that they have solved it very largely in England.

Mr. LaGuardia. Yes; and in reply to your inquiry, this is not a novel experiment. England has gone into it very extensively, and the Scandinavian countries have gone into it, and Austria, immediately following the war, built a very large number of low-rent dwellings.

Mr. Hancock. But in all of those countries, Mayor, is it not a fact that a local financial contribution has always been required?

Mr. LaGuardia. I do not think so. It was not in Austria. Surely Vienna did not have any money at the time, and I do not know just what the situation is in London, but, you understand their form of government is entirely different. They are more closely knitted than we are. Locally our main source of income is our tax on real estate. That is limited, and every city is in the same financial condition at this time. One may be slightly better than the other, but we are all near the edge.

Mr. Hancock. May I appeal again to your frankness in asking you this question: On the first page of the bill, under "Findings and policy", in section 1, there is this language:

> There exist in urban and "rural" communities throughout the United States slums, blighted areas,

and so forth. Having been a Member of Congress, why do you think the word "rural" was inserted in there?

Mr. LaGuardia. Why?

Mr. Hancock. Yes.

Mr. LaGuardia. Do you want me to answer that?

Mr. Hancock. Certainly and frankly.

Mr. LaGuardia. I will answer that question. It is because the conditions in the rural sections are such that I suppose they want the bill equally applicable. We are absolutely sympathetic with these people living in the rural districts, for they are living under pretty bad conditions.

Mr. Hancock. I want to make myself very clear. I am in favor of aiding slum people whenever they exist and naturally some of the advocates to leave that word in, but I do not want to fool my people. You must know why it was put there. You know the practical philosophy of this bill makes it unsuited to rural communities as well as I do, do you not?

Mr. LaGuardia. No. Would you call a mining district a rural community?

Mr. HANCOCK. No; rather a suburban community.

Mr. LAGUARDIA. Well, I would.

Mr. HANCOCK. No. I am talking about farms now.

Mr. LAGUARDIA. Don't you think that the American farmer would like to have a nice cheerful place to live in, just as much as the unskilled laborer of a city would?

Mr. HANCOCK. Of course, but who would buy it for him? He couldn't participate under this bill.

Mr. LAGUARDIA. Buy it for him? Some sort of arrangement could be made the same as in the city.

Mr. HANCOCK. Does this bill contemplate the purchase of farm lands?

Mr. LAGUARDIA. I do not think so. I think that we have done that.

Mr. HANCOCK. I know that we have, but why make a gesture in this bill in that direction? Let us make this an urban bill and work out a companion measure for the rural communities.

Mr. LAGUARDIA. Will you vote for it?

Mr. HANCOCK. Yes; if it is properly and soundly framed, I would prefer to have it that way, and I will vote for a slum clearance or reclamation bill designed to aid the urban communities. But I do not want to mislead the farming or agricultural people. That is only the point I am trying to make so the record will speak truth.

Mr. LAGUARDIA. That is something that is up to the committee, but I can see a great deal of improvement that is needed in many rural districts, gentlemen, and I do not claim to be an expert.

Mr. HANCOCK. There are many unsanitary shacks and shanties that ought to be remodeled or torn down, but this contemplates multiple building, group building, not single dwelling units.

Mr. LAGUARDIA. If you go through some of your mining districts, you will find that conditions needed to be improved.

Mr. HANCOCK. Yes; and they ought and must be beneficiaries of such legislation that we enact.

Mr. REILLY. Under this bill, how could you help the farmer with a run-down farm?

Mr. LAGUARDIA. I understand that you have other laws for the farmer.

Mr. REILLY. Under this bill, how could any housing institution get on a farmer's home?

Mr. LAGUARDIA. In any farming district you always have a town or village.

Mr. REILLY. In a farming district we do not need it. We do not have any slums.

Mr. LAGUARDIA. Milwaukee has.

Mr. REILLY. That is all right, but the fact of the matter is that you cannot help a farmer under this bill.

Mr. LAGUARDIA. The farmer has been helped with other bills.

Mr. REILLY. I am not talking about that. As Mr. Hancock asked what do you have the rural properties in here for?

Mr. LAGUARDIA. In order not to prevent a housing project going up in a rural district or mining-town if one is necessary.

Mr. REILLY. What is the permanent cost of this project that you showed us? Do you remember?

Mr. LAGUARDIA. $13,000,000.

Mr. REILLY. What was the unit cost?

Mr. LAGUARDIA. Divide 1,600 into $13,000,000. That is a high unit cost.

Mr. REILLY. Could you build a cheaper project?

Mr. LAGUARDIA. After the experience that we have had, yes. Secretary Ickes, Public Works Administrator, has really done a fine pioneering job. He has built up a splendid housing division in the Public Works Administration. Remember the P. W. A. started from scratch. There were no precedents to be guided by. It was all new. Many obstacles had to be overcome. I say that the Public Works Administration has not only done a fine job but has gained a wealth of experience and is able to carry on this work.

Mr. REILLY. Those 1,600 families are living better than the great mass of families of this country, from the standpoint of housing facilities, are they not?

Mr. LAGUARDIA. I should think that is a strong argument in favor of the bill.

Mr. REILLY. Provided that you could treat the people all alike.

Mr. LAGUARDIA. Exactly.

Mr. REILLY. One hundred and seventy-five thousand units will be provided for by this bill in 3 years, as I understand it.

Mr. LAGUARDIA. Yes.

Mr. REILLY. Will that make a dent in the housing situation in New York?

Mr. LAGUARDIA. Yes, indeed; a great step forward.

Mr. REILLY. About how many of these units will New York expect to get?

Mr. LAGUARDIA. I am not talking for New York, but for all of the cities. We will get our share, I suppose.

Mr. REILLY. But that will be this five billion eight hundred million proposition?

Mr. LAGUARDIA. That is right, and it is a start.

Mr. HANCOCK. May I ask this question, and I will stop?

What is the line between the so-called low-income dweller and the slum dweller? Would it be based upon the condition in which he lives, or upon his income, or how would you determine where the line was between our families living on a low-income basis and those living in the slums?

Mr. LAGUARDIA. Those living in the slums live there because they have to, because they cannot afford to live anywhere else, and I would say in New York City that the line is $1,300 as qualifying for an apartment in the Government projects there.

Mr. HANCOCK. Mayor, would you have any objection to making this bill, if we can do it, an honest-to-God slum-clearance program?

Mr. LAGUARDIA. I do not know what you mean.

Mr. HANCOCK. And eliminate the general low-rent housing plan that is now in the bill?

Mr. LAGUARDIA. What would you do?

Mr. HANCOCK. Well, I think that if I were writing it, I would fix it so that no family would be eligible, if they wanted new building units, except such families as were taken out of the slums before their demolition, which should be mandatory—it should apply to the neediest class.

Mr. LAGUARDIA. That is all right.

Mr. HANCOCK. Is that all right?

Mr. LaGuardia. Surely.

Mr. Hancock. You would have no objection to limiting it to that?

Mr. LaGuardia. No.

Mr. Kennedy. Have you decided, Mr. Mayor, whether you prefer the 60-year subsidy, or the 40 percent outright?

Mr. LaGuardia. The 60-year subsidy.

Mr. Kennedy. Is it not a fact that most of these houses, after 35 or 40 years, are obsolete and useless?

Mr. LaGuardia. As I stated before, I think the useful life of the type of building that we have in Williamsburg, and you have seen them, is three times what our old railroad apartments used to be.

Mr. Kennedy. You know that most of those apartments built after 1901 are fairly habitable.

Mr. LaGuardia. The 1921 building in New York, as you know, was a speculative building.

Mr. Kennedy. But I am talking about those built after 1901.

Mr. LaGuardia. There are some good buildings built in that period, but the fault with those buildings is the design—that they occupy too much ground. They are too densely built, but they are very substantial.

Mr. Kennedy. The life of one of those is estimated at about 35 years, isn't it?

Mr. LaGuardia. It would not be in those houses that are now outlawed. The houses that you refer to are obsolete because of their construction.

Mr. Kennedy. But the point that I am trying to get to is this: If you apply a 60-year subsidy, long before the 60 years have expired, the houses will be obsolete.

Mr. LaGuardia. I do not think so; not this type.

Mr. Kennedy. But there won't be any income from them.

Mr. LaGuardia. I do not think that is so; not this type. The old type of buildings we still have; we have hundreds in New York City, and since 1934 we have condemned and demolished or ordered demolished over 2,600 buildings. We have 16,000 or more now existing in violation of law.

Mr. Kennedy. But we are talking about slum clearance, because we can visualize the slums, and we know what they are. There are certain areas that have more than others.

But under the new housing, the project that was built up in the railroad neighborhood, and the other in Williamsburg, in order to be eligible to become a tenant, one files an application, and the first requirement is that he must show that he is able to pay the rent. Isn't that true?

Mr. LaGuardia. Yes.

Mr. Kennedy. In other words, they cannot come in and say, "I live in the slums, where I have not any running water, where I have not any bath, and where we have all sorts of unsanitary conditions, and therefore I feel that I would like to move." That in itself is not a good reason. They must show that they are able to pay definite rentals?

Mr. LaGuardia. That is right. Unable to pay high rent.

Mr. Kennedy. Don't you find in most cases that that is a group that is employed by some city department, or that they have a fair reserve, that they have certain accumulated savings?

Mr. LaGuardia. No. We had some 12 to 15 applicants for each available apartment, and there was a regular formula established for qualification, and no one with a family income of over $1,300 was even considered; $1,300 was the maximum. Then, of course, there were also considered the present dwelling of the applicant, the number of children, the number in the family that would fit into the apartment.

Mr. Kennedy. I mean, you considered that if they had a number of children, they would not be eligible for a certain type of apartment?

Mr. LaGuardia. For the larger apartments. The family naturally had to fit the apartment.

Mr. Kennedy. You and I both understand the situation as far as the slums are concerned, but what I am talking about are those, for example, in the section that you represented for years, for the rentals would be such that they would not be able to move into these houses, regardless of what the rental was, for they have seasonal occupations and frequently they are unemployed from time to time, and they would still be in the same situation, would they not?

Mr. LaGuardia. No. The families having larger incomes would be able to find suitable dwellings. Those having no incomes we would take care of. Something was said today about New York getting a great deal of Federal aid. Let me tell you now that New York City spends, of its own money, over $65,000,000 a year for relief, and to do that—this will amuse many of my former colleagues—I had to slap on a sales tax in order to get the money. In addition the State contributes over $40,000,000. New York City spends about $120,000,000 a year for relief.

Mr. Goldsborough. Mr. Hancock and Mr. Reilly have been discussing with you the situation in rural districts, as this bill might apply to them, and they have taken farming as an illustration. Now let us take a town of 2,500 inhabitants. Assume that 400 of those are not in houses of the standards which you have discussed here very interestingly. How could this bill be made to apply to that section of the town where these 400 live?

Mr. LaGuardia. Oh, the Federal Government would do exactly as the bill provides for a city. I think that they could put up the right kind of a dwelling and have their building either turned over to a local agency to operate or do it themselves. I know that in the cities they would lease it or turn it over to the local housing authority to operate.

Mr. Ford. Would not the cooperative section, if not eliminated, apply there?

Mr. LaGuardia. There is a cooperative section there, and also a limited-dividend corporation section.

Mr. Hancock. That is known in this bill as the consumer housing society, I think——

Mr. LaGuardia. Yes; and I understand that you are quite an expert on cooperatives, or used to be in the old days.

Mr. Hancock. Do you not think that we will probably go too far with our spending program?

Mr. LaGuardia. No. The Republic is worth saving.

Mr. Hancock. You do not think that we will run any risk if we run the Government debt up ten or fifteen billion dollars more on a program of this kind?

Mr. LaGUARDIA. No. We have 3 years to learn a lot in.

Mr. HANCOCK. I believe that you made the statement before the Senate committee that you cannot overstep on anything which is for the improvement and health and happiness of the country.

Mr. LaGUARDIA. I still think so, and I think that the framers of the Constitution thought so. I am very conservative when I come to that.

Mr. LUCE. You said in the course of your statement that there was no State in the United States——

Mr. LaGUARDIA. No; I am talking for the cities.

Mr. LUCE. That there was no city of the United States that could afford to handle slum clearance, or that should be able to.

Mr. LaGUARDIA. That is right.

Mr. LUCE. Will you tell us why?

Mr. LaGUARDIA. They have not the money.

Mr. LUCE. Your city is the largest city in the country.

Mr. LaGUARDIA. Yes.

Mr. LUCE. And has the largest income in the country, and possibly the largest taxes in the country. Those taxes for this purpose would travel to Washington and then back again. Will you tell us why they ought to travel to Washington and back again?

Mr. LaGUARDIA. No; I cannot tell you why. I wanted to tell you why, but you would not listen to me when I was in Congress.

Mr. LUCE. I always listen to you.

Mr. LaGUARDIA. That is not my job now. All that I have to do now is to run one little city.

Mr. LUCE. You have observed, of course, the rapidly growing tendency to transfer all local obligations to the Central Government, which has proven to be a costly, slow, and inefficient program. Why should we continue it in this instance?

I am for slum clearance. I believe it is most desirable, but I deprecate the roundabout and inefficient process of financing which is suggested in order to accomplish that end. Why is it not possible for you to secure from your legislature the power to do this thing for yourself?

Mr. LaGUARDIA. Why, I think that you have answered that question yourself by saying that at this time the present fiscal policy of our country is such that the greatest revenue in taxation comes to the Federal Government. We are geared that way. I agree with you that there is a tendency to centralize these functions. Perhaps they might still continue as municipal functions, but they are no longer local problems. Mr. Luce, we are woven into one unit. If there is an epidemic of disease in a Southern State, it affects that State and my State. If there is unemployment up North, in Boston, it affects the farmers of the Midwest.

I will concede that the imposing upon the Federal Government of these new functions is costly and irritatingly slow, but I will not concede that it is not efficient. I do not know what would have happened, Mr. Luce, and I say this with all the sincerity of my soul—I do not know what would have happened to this country if the Federal Government had not provided relief in 1934, 1935, and 1936.

Mr. LUCE. But you are getting away from my question.

Mr. LaGUARDIA. I know nothing more local than direct relief to the people. Surely 25 years ago any such suggestion would not have been entertained for a minute in Congress, and yet the Federal Government had to do it. I am not scared of the Federal Government. It does not frighten me at all. I think that it is a natural development, a growth, that cannot be avoided under our complex industrial and social system—I was going to say economic system, but I do not want to shock anyone today.

Mr. LUCE. You furnished me with a very happy illustration of what I want to bring out when you suggested that epidemics are no longer of local concern, but that they are of national concern. Would you have the boards of health of all the municipalities of this country transferred to a Federal agency?

Mr. LaGUARDIA. Why, every board of health in this country is in constant and daily and hourly contact with the United States Public Health Service.

Mr. LUCE. It is, but should it be financed and chosen by the Central Government?

Mr. LaGUARDIA. I wish it were in many places. All of that idea, Mr. Luce, of choosing a local health officer, and attending to their problems locally, was all right when it took a couple days to travel from here to Philadelphia, but that condition does not exist now. You and I, trained and schooled in the Hamiltonian theory of government, it seems to me should be prepared for the very situation that we are confronted with today.

Mr. LUCE. Carrying this one step further, do you believe that the administration of these slum-clearance matters, the policing, the fire protection, the sewerage, the water supply, and everything else connected with them should be transferred to Washington?

Mr. LaGUARDIA. Why, no. It is not necessary at all.

Mr. LUCE. It is not necessary, but isn't it in the same line of logic? If you begin at the bottom, must you not have your structure conform to your foundation?

Mr. LaGUARDIA. No; and let us take that up right now. There is a clear line of demarcation as to those very things that you mentioned. You talk about fire protection, the sewerage, water supply, and police. Now there was a time in this country when each one of those functions of government was absolutely and purely local, and yet some of you gentlemen and I sat together in the House, and we passed bills conferring upon the Federal Government police powers that at one time were purely local. The stolen-automobile law, the stolen-property law, the kidnaping law—all of these laws were the result of modern means of communication and transport which made it necessary for the Federal Government to step in.

Take sewerage. Nothing is more local than sewerage. Nothing is more individual than that. We will not go into details, but yet the Federal Government steps in and says to me, as mayor of New York, "You clean your harbor; you stop polluting the harbor." The Federal Government likewise says to the State of New Jersey, "You stop dumping your garbage in the harbor", and we have to stop.

Take fires. Of course, you and I remember what the situation used to be. Out where I was raised, in Prescott, Ariz., we had volunteer firemen—the "O. K.'s", the "Toughs", the "Hook and Ladders", and the "Dudes." Somebody would strike a gong, and we would go and pull the old carts out and rush to our local fire. But now, under

the Department of Agriculture, you have quite a fire department in the great Forestry Service, and most of their attention is with fires that are not within their jurisdiction. They won't stop and turn off the water if that fire is on private property. They won't stop and say, "Wait a minute; we will look at the map. Is this a United States forest or does it belong to the State of Wyoming?"

So, no matter what function of a municipality you can mention, you see this constant tendency going toward central government by reason of facts beyond our control.

Mr. LUCE. You and I both served in local capacities and here in Congress. I served for years in my State legislature, and you are now serving as mayor, and you and I have watched administrations at close range in both places. Is it your judgment that Federal administration of governmental activities is more efficient and more economical than local administration?

Mr. LAGUARDIA. I say that Federal administration is necessary in order to meet existing conditions.

Mr. LUCE. We are not quarreling on that. I am inquiring on the question, which is the more efficient and economical form of government, local or Federal Government?

Mr. LAGUARDIA. Do you want me to answer that?

Mr. LUCE. Yes.

Mr. LAGUARDIA. I will answer that. I think the Federal Government is more efficient. Take our courts, criminals, thugs, and racketeers; there is one thing that they hate and that is the Federal courts. Take our great national park system. Can there be anything more perfect than that? I boast of having the most beautiful park system in the whole world. Nothing can compare to the great national park system of our country.

Take our Customs Service. There is less scandal in the Customs Service of this country than in any other revenue-handling departments that exist in either city or State governments.

Mr. LUCE. One point, and then I will be through. You and I come from a different Commonwealth.

Mr. LAGUARDIA. Yes; you come from Massachusetts.

Mr. LUCE. The experience of Massachusetts leads one to a directly opposite conclusion from what your experience in New York has caused you to give us.

That is all.

Mr. FORD. May I make a comment on that point?

Mr. Luce and Mr. LaGuardia referred to Federal orders governing local situations. I think it was in 1931 when we had a direct order from the Federal health authorities to clean out the rats, and we had to take the money from our city treasury to do it; and we had to do it under Government orders to our city, because bubonic plague was threatened.

That was a case of the Federal Government telling the local government what to do, and nobody objected to it.

Mr. FISH. I am sure that the members of the committee, and likewise the mayor, do not want to give the impression to the people of the city of New York, or to any city, that this particular bill, with this limited appropriation, will do what is necessary to effectuate slum clearance.

Mr. LAGUARDIA. I think that you made that clear.

Mr. FISH. Would the mayor have any objection to the Government providing sums of money and loaning them directly to savings banks and to insurance companies, so that they could loan directly for the purpose of rehabilitating and repairing these old tenement houses pending the time that you could clear the slums and put up new buildings?

Mr. LAGUARDIA. Wait a minute. Let me get this.

Mr. FISH. That is very important.

Mr. LAGUARDIA. The gentleman would suggest that the Government lend money to banks and insurance companies, and that they in turn——

Mr. FISH. At a low rate of interest.

Mr. LAGUARDIA. And they in turn would do what?

Mr. FISH. Loan the money directly to private industry, as they do now, to help repair these tenement houses and to rehabilitate them, to put in proper systems of ventilation and fire escapes?

Mr. LAGUARDIA. I can answer that right off the bat. It cannot be done, for the simple reason, first, that the existing mortgages on these buildings that you describe will not subordinate, and we have partially met that in New York. If the existing mortgages do not subordinate, the insurance companies will not loan, for the simple reason that these properties are carrying now all that the traffic will bear.

We have a requirement now, as you know, outlawing these buildings unless they, first, are properly equipped to retard fires, and, second, provide a toilet for every family. Those buildings which are capable of absorbing that additional load are complying, and the improvement is going on at this time in order to meet that situation. I asked the Legislature of the State of New York to permit the city to go in and do it and slap a first lien on each such building, payable in five annual assessments. I got the legislation, and we have appropriated half a million dollars to start with, just to feel our way. That is only for a building with violations, such as fire-retarding—that means fire-proofing the cellar and the hall all the way up to avoid rapid spread of fire. An old law tenement is a regular fire trap. The whole thing goes up before the fire department can get to it. I answered a call only three nights ago and saw a fire kept under control in one apartment because of the fire-retarding requirements of the law.

If these insurance companies, having the money at low rates, wanted to loan it out as investments, they could not do it because there is insufficient security. If they made the loan regardless of its security and prudence, then what is the result, gentlemen? Then the Government is giving a direct subsidy to the owners of these old dilapidated homes that are not worth saving, and the tenants get nothing out of it.

Mr. FISH. Of course, Mr. Mayor, all of these buildings have not got mortgages on them.

Mr. LAGUARDIA. Mostly all.

Mr. FISH. Let us assume——

Mr. LAGUARDIA. We can take care of those locally.

Mr. FISH. Cannot private industry do that?

Mr. LAGUARDIA. Yes; we can take care of those, and we have. As to new buildings we can go down to the F. H. A. and they will take

those at a very small interest rate. That has been taken care of. The savings banks have been taking care of all the buildings that they have mortgages on, where the buildings warrant the expenditure; that is, where they are taking no undue risk. What we have left is those buildings where they could not get loans, and on those buildings we are stepping in and doing the work and putting a first lien on, payable in 10 installments. We are at the beginning of this, and will take on more gradually.

Mr. FISH. If the Government were more lenient in its loans to the savings banks, or would guarantee the loans up to 60 or 100 percent, wouldn't that improve immediately conditions in the city of New York, and isn't that desirable?

Mr. LAGUARDIA. No. Why should the United States Government guarantee a mortgage on one of these old buildings that is not worth saving?

Mr. FISH. I do not mean a mortgage, but in order to rehabilitate a building.

Mr. LAGUARDIA. It costs too much, and it is not worth while, and the mayor of Detroit has pointed that out. The savings banks in New York City, Detroit, and Boston have money, and they do not hesitate to loan it, only they will not put in any more money on these buildings that simply cannot carry it. That is the answer to that, and certainly I would not see any advantage at all in carrying out the suggestion that you make.

Mr. FISH. Except that it would rehabilitate those buildings, and make them livable.

Mr. LAGUARDIA. Yes; but your money is gone.

Mr. KENNEDY. Will you please give us your idea of what slum clearance means, or your understanding of what slum clearance means?

Mr. LAGUARDIA. Slum clearance is providing a dwelling for the people who otherwise are compelled to live in unsanitary, disease-breeding, firetrap houses.

Mr. KENNEDY. That does not presume that you intend to demolish existing buildings, does it?

Mr. LAGUARDIA. It does and it does not. For instance, at Williamsburg we absolutely demolished them. At Red Hook we intend to demolish them if we start a housing project there. At Harlem we did not demolish them, but we drew only from that type of building that I have described—in other words, to be very cold about it, we would starve these other outlaw buildings out of existence, and that is what is going on now.

Mr. KENNEDY. In Harlem you did not demolish one single building?

Mr. LAGUARDIA. No.

Mr. KENNEDY. You did not restrict those tenants to Harlem. They came from every other part of the city.

Mr. LAGUARDIA. They were all Harlem, as a matter of fact.

Mr. CRAWFORD. Mr. Mayor, on page 29 of the Senate hearing, the figures indicated that Williamsburg cost approximately 13½ million dollars.

Mr. LAGUARDIA. That is right.

Mr. CRAWFORD. Did I understand you to say a little while ago that you expected to rent those rooms under $7 per room?

Mr. LAGUARDIA. That is right.

Mr. CRAWFORD. And that would leave about 40 percent of that amount that would have to be raised?

Mr. LAGUARDIA. That was a rough estimate.

Mr. CRAWFORD. In other words, they will have to subsidize about 60 percent, or cost $10.50 a room?

Mr. LAGUARDIA. Oh, yes; every bit of that.

Mr. CRAWFORD. Then, in answer to a question of Mr. Hancock's, you spoke of letting this apply to the very low income brackets. Do you mean low income in dollars, or low income in effective buying power measured in this manner?

Mr. LAGUARDIA. Don't "Irving Fisher" me.

Mr. CRAWFORD. I won't do that. In so many of our farming communities the income runs around $200 or $300 a year, and they have the sunshine and the light, plus a garden, and I wanted to find out if that is what you mean, effective income, not dollar income, because most of these farming families have less than $300 per annum income, and they live in shacks as degrading as most anything that we could find. They have air and light, while in the city we understand what your slum situation is.

Mr. LAGUARDIA. I thought that I made that clear, that the income line would vary in different communities. I said that at the outset.

Mr. CRAWFORD. You mean effective income and not dollar income?

Mr. LAGUARDIA. I mean that the dollar income is the only guide that you could possibly take, and that would vary in various communities. The maximum in dollars in New York City would not be the same as it would be in a community such as you have just described.

Mr. CRAWFORD. Just one question on your labor agreement that you have filed. I have read that very carefully, and this little paragraph shows up:

> In the event that union labor will not be available in any one trade, thereby causing stoppage or delay in the completion or construction, arrangements will be made whereby the contractor might obtain such labor in other localities.

Do they mean other union labor, or nonunion labor?

Mr. LAGUARDIA. Anything we can get, in that event. That is applicable only to New York City, where the building trades are highly unionized.

Mr. CRAWFORD. I understand that.

Mr. MCKEOUGH. I would like to ask the mayor this question, developing it out of his agreement with the labor people in New York City.

Is it your thought that you might be able to get similar agreements with the material men, so that your prices of material would not skyrocket with the enactment of this bill?

Mr. LAGUARDIA. That is always done in this way. The contractor goes out at the time of bidding and arranges and contracts for all of the material that he needs. He must do that to protect himself.

Mr. MCKEOUGH. I realize that you have very thoroughly studied this subject, but it occurs to me that with such a broad program as this legislation calls for, the material people in the United States would naturally know when it was enacted, and I am informed, although I do not know correctly, that material prices now in con-

nection with home construction are higher than they were in the peak of 1927, 1928, and 1929 in many commodities, and I am just wondering whether or not that feature of cost has been analyzed.

Mr. LaGUARDIA. The condition is worse than that, gentlemen. We made estimates in December and January on our capital outlay budget for New York City, and now bids are coming in for schools, bridges, highways, and pavements which are from 20 to 25 percent over the cost of the material in December and January. It has jumped 20 to 25 percent within that time.

Mr. McKEOUGH. Do you think that there is any justification for that in actual cost?

Mr. LaGUARDIA. Well, let us stick to housing.

Mr. McKEOUGH. That is about housing.

Mr. LaGUARDIA. We are watching it constantly. The cities have just obtained a desist order on cement a few days ago from the Federal Trade Commission. We are constantly filing complaints with the Federal Trade Commission. The United States Conference of Mayors interchanges information, and as we get anything that indicates collusive bidding, we file a protest.

There has been a big jump in material costs.

Mr. McKEOUGH. I am very much interested in your referring to Chicago, and I fully subscribe to all of the fine arguments that you made.

Mr. LaGUARDIA. Thank you very much.

Mr. KENNEDY. I think that the mayor anticipates the passage of the wage-and-hour bill, and if we make the minimum rate 70 cents an hour, he naturally expects that that will raise the income of these people to some extent? Isn't that so?

Mr. LaGUARDIA. If you increase the purchasing power of the American worker and the American farmer, we won't have any trouble in looking after them on relief rolls.

Mr. KENNEDY. That is not the point. You anticipate that, I presume, in the new cost?

Mr. LaGUARDIA. I always wait for the wisdom and action of Congress.

Mr. KENNEDY. I understand that there are hundreds of those buildings in the city of New York such as you have been telling us about, and when you erect a new housing program, that is tax-exempt?

Mr. LaGUARDIA. Not necessarily.

Mr. KENNEDY. Williamsburg won't pay, will they?

Mr. LaGUARDIA. No. We will make arrangements with the housing authority to pay service charges for water, something like that. We are not pressing them for it now.

Mr. KENNEDY. I mean, you do not anticipate any drop in the tax income of the city as the result of the closing of these houses?

Mr. LaGUARDIA. No. The ground value is there.

Mr. KENNEDY. Have the revenues increased this year?

Mr. LaGUARDIA. No.

Mr. KENNEDY. Have you raised the tax?

Mr. LaGUARDIA. No. Do you mean on the old, closed-up buildings?

Mr. KENNEDY. I mean on all real estate.

Mr. LaGUARDIA. No. We reduced assessments by $289,000,000, but we pick that up with $210,000,000 in utilities and new buildings—a total reduction of slightly over $79,000,000.

Mr. McGRANERY. You feel that is part of your contribution to this program?

Mr. LaGUARDIA. Yes; and we will save that in hospitals, health service, and other city services in the long run.

Mr. McGRANERY. With respect to this language covering urban and rural communities, around these mining centers usually the workers' houses are grouped right around the mines.

Mr. LaGUARDIA. Yes.

Mr. McGRANERY. What other language could be substituted for them than "rural"? Wouldn't you say that that is rural?

Mr. LaGUARDIA. I would. That was my answer to Mr. Hancock, that I considered it rural.

Mr. McGRANERY. I do, too.

Mr. SPENCE. There is one difficulty that seems to suggest itself to me: Where a great number of families equally worthy or of equally low income apply for the same apartment, how would you select them and do equal justice?

Mr. LaGUARDIA. We have had actual experience with that. The housing authority has an advisory committee that is taken right from that neighborhood, from the social centers, the community organizations, the churches. It is really a local advisory committee. Then it establishes a formula. For instance, if an application is made for a five-room apartment, and all things are equal, and one family has five children and the other family has three children, then, of course, the one with five children would move into that five-room apartment.

You take the reverse; you take an application for a three-room apartment, and, all things being equal, the size of the family, the income, and everything about it is taken into consideration. So far, with 15,000 applications in Williamsburg, ths process has been very satisfactory. Of course, I have nothing to do with it. The city has nothing to do with it. It is purely the housing authority and the people in that immediate neighborhood who have to do with it.

Mr. WILLIAMS. Who has the title in these projects?

Mr. LaGUARDIA. In New York?

Mr. WILLIAMS. Yes.

Mr. LaGUARDIA. The United States Government.

Mr. WILLIAMS. Under the plan proposed in this bill, in case of a public-housing authority, who would have the title?

Mr. LaGUARDIA. The housing authority would, and the Government would take the bonds.

Mr. WILLIAMS. Will it be the housing authority when the loans are made?

Mr. LaGUARDIA. Yes; on that project. Of course, the local housing authority is an agency of the city, you know. It is not private.

Mr. WILLIAMS. It is an agency of the city.

Mr. LaGUARDIA. In my case it is; yes.

Mr. WILLIAMS. In that case, ultimately is the city responsible for that loan?

Mr. LaGUARDIA. No; the property is.

Mr. WILLIAMS. The property only?

Mr. LaGUARDIA. Yes.

Mr. WILLIAMS. Now, the organization that takes it over, whatever it is, the housing committee or commission, whatever you call it, has no corporate or individual liability for the loan?

Mr. LaGUARDIA. No, the property itself.

Mr. WILLIAMS. Just the property alone?

Mr. LaGUARDIA. Yes, sir.

Mr. WILLIAMS. And that extends over a period of 60 years?

Mr. LaGUARDIA. That is right.

Mr. WILLIAMS. Do you consider that a sound loan?

Mr. LaGUARDIA. I would; yes. Let us understand each other. I do not mean by that that the revenue is going to carry the investment to the extent of normal interest. I do not mean that. I mean in the investment itself, when considering the amount provided.

Mr. WILLIAMS. Of course, the Government simply puts up the money to finance the proposition to start with, in the name of some public association or organization?

Mr. LaGUARDIA. That is right.

Mr. WILLIAMS. Then the Government puts up money for an annual contribution in order that the Government may get back some income on the investment, and the Government is simply paying itself the interest on its investment?

Mr. LaGUARDIA. That is right, or with the provisions of this bill, I think that many communities can go out and find the money without borrowing it from the Government.

Mr. WILLIAMS. Well, whether they do or not, if they could not, of course, the Government would have to put up this money?

Mr. LaGUARDIA. That is right.

Mr. WILLIAMS. And there s no case as I understand this bill, anybody that is individually responsible for that loan? The property itself stands for it?

Mr. LaGUARDIA. That is right, just the same as a bank giving a first mortgage.

Mr. WILLIAMS. What percent, in general, do you think would have to be subsidized? You referred to the buildings in your city being subsidized 60 percent on the cost of the development and the administration. Do you think that it would run that high, that 60 percent would have to be subsidized by the Government?

Mr. LaGUARDIA. I think that the provision that you make here for an annual grant to meet the interest charges on the investment, and the 1 percent amortization, is ample to insure the low rents.

Mr. WILLIAMS. That will mean 3½ percent or approximately so, at least, assuming that the going rate of interest is 2½ percent, and if it were higher, or 3 percent, you would have to charge 4 percent?

Mr. LaGUARDIA. That is right, and I do not think that anything additional would have to be necessary for administration.

Mr. WILLIAMS. What I am getting at is, what percentage do you think it would run?

Mr. LaGUARDIA. You would have to figure that out. You can figure your percentage by taking any equivalent amount and figuring your interest, plus 1 percent, and spread it over 60 years, and you will get it.

Mr. WILLIAMS. Is it your hope, and the hope of this bill, that rooms will be furnished at $5 a month?

Mr. LaGUARDIA. That is the ideal payment for our big cities.

Mr. WILLIAMS. What will be the actual cost of those rooms?

Mr. LaGUARDIA. $9 or $10, a very economical building, and reaping and utilizing the experience that we have gathered in these two big units that we have been talking about.

Mr. WILLIAMS. And it would result ultimately in a subsidy of about 50 percent?

Mr. LaGUARDIA. Yes; between 50 and 60 percent.

Mr. WOLCOTT. I have a long, but, I hope, not too complicated question. It has to do with section 12 of the bill, which authorizes the Authority to set up demonstration projects, and the cost of those projects may not exceed $25,000,000 in any fiscal year.

Now, assuming that the authority decides to do it, they can set up, in 25 cities of the United States each year, as many model projects at $1,000,000 a project. The bill goes on to say that those projects shall be sold to public housing agencies, or leased to consumer housing societies or limited profit housing agencies. Let us assume further that there does not exist or won't exist in any community any public housing agency, and there is not created any consumers housing agency or any limited profit housing agency to take this over from the authority.

Then, under the terms of section 12, the authority must administer that project, and in deciding the rents that are to be paid, it must take into consideration management, operation, and maintenance, and the lump sums which are paid to the municipality in lieu of taxes, but they do not have to take into consideration any depreciation, they do not have to take into consideration any interest, and, if they do have to take interest into consideration, it is regulated by the rate of interest on the last issue of 10-year bonds.

Now, the thing that is bothering me is, if that condition should prevail, would there not be a practical demoralization of the real estate market, reflecting itself in the building trades, so as to offset a great deal of the advantage or the benefits which we seek under this act?

Mr. LaGUARDIA. The only demoralization would take place in that class of real estate with which the new buildings would compete. In other words, you must assume that no community will permit any tenant to be taken from a better-class apartment, where he can afford to pay the rent, and brought into this subsidized unit. Therefore, if there is any competition at all, it will affect only that character of building which exists in violation of law.

Mr. WOLCOTT. Don't you think that in the regulation of the return of this property, or the determination which they make concerning the return on the property, they should take into consideration, if they are competing with private property, the same as a private individual has to take into consideration in determining the cost of rentals, such as depreciation, and so forth?

Mr. LaGUARDIA. No; because the Government is only stepping in by reason of the helplessness and the impossibility of private capital providing such kind of service. Private capital just cannot do it.

Mr. WOLCOTT. At the end of 60 years, the Government might have invested, under the terms of this bill, in model projects—demonstration projects is the term used in the act—$1,500,000,000, and if no agency was set up in the community to take these over from the

housing authority, it would seem to me that the local real-estate market would almost be bound to react to the detriment of the real-estate investments, and thereby force into the excess reserves of the banks that money which would ordinarily be used for investments in real estate.

Mr. LaGuardia. I do not think that there is even the remotest danger of that, because in the first place the Government has practically finished its demonstration projects in these 52 projects enumerated in the 35 cities that you will find in the Senate hearings.

Mr. Wolcott. This bill does not limit them to these projects.

Mr. LaGuardia. All right; then the Government certainly is not going into any city or community on a large demonstration project to the extent that it would have to compete with privately owned and operated houses. That is not the purpose of this. The only purpose is to provide the housing that private capital simply cannot provide and that it admits it cannot provide.

Mr. Wolcott. We will assume that Detroit is a little backward in undertaking its slum project, and the authority decides that Detroit should be shown the advantage of a slum-clearance project, and they come into Detroit and they build a unit costing approximately $25,000,000, as they could under this act. Detroit has a boom, and they spread out—transportation facilities are made easier, and they build some subways or some elevateds so that the people can get out into the country and build for themselves individual homes. If no local agency was created for the purpose of taking over this project, it seems to me that there is a possibility that, unless some limitation is placed on the number and some ceiling on the amount which may be used there——

Mr. LaGuardia. On demonstrations?

Mr. Wolcott. Yes—we may wake up 20 years from now and find ourselves holding the bag for about a billion dollars.

Mr. LaGuardia. First, the very suggestions that you make are rather remote. A subway is not built overnight, and Detroit is not going to build any subway today or tomorrow.

Mr. Wolcott. They have been thinking about it for the last 20 years.

Mr. LaGuardia. We have built over 1 billion dollars worth of subways, and if any city wants any cost on subways, we will be very glad to give it to them.

No; there is no danger of that, and the demonstration, I think, is about over with these projects that have been built. There is not the slightest danger of getting into competition with the real-estate market except that group that simply is now outlawed. Let me say this, gentlemen, I have voted with you on subsidies for merchant marine. I know of ships going out of port without any mail at all, that would get heavy mail subsidies. Why? We found it necessary. We found that private capital could not build ships under the material and labor costs of the American market, or man those ships under American standards, without subsidies, and, if you figure back since the war, in the last 20 years, you will find that quite an amount has been paid for ship subsidies.

Mr. Wolcott. I may say that I am very sympathetic with any program which is designed to accomplish the purposes of this act, and I hope to be able to support a sound bill having to do with slum clearance, but I do not want to go against the wishes of a President in this respect, first, and secondly I do not want to experiment further with the Treasury of the United States without some assurance that we are going to get something for our money, regardless of the necessity for it. I wonder if some other way could not be evolved, and that is what we are thinking about and what we are going to consider in this committee, but I wish that we could furnish this relief without so much danger to the United States Treasury.

Mr. LaGuardia. I do not think that there is any risk as to the ultimate return to our country. I do not think there is any other way, under our present economic system, of providing proper housing to a large group of people whose earnings will not permit them to otherwise live decently and safely.

Mr. Wolcott. This subsidy, over 60 years, when these subsidies must be returned to the Government, would exceed 166⅔ percent of the capital investment. I wonder if that is a sound investment.

Mr. LaGuardia. But you are not investing in dollars and cents, but in human lives now.

Mr. Wolcott. I know that.

Mr. LaGuardia. And I will say this, that at the end of 60 years you will have more to show for it than for all of the subsidies that you poured into American shipping.

Mr. Wolcott. I quite agree with you; but should we subsidize it to any greater extent than is necessary?

Mr. LaGuardia. I think that we have the minimum right here in the Steagall bill.

Mr. Wolcott. You think so?

Mr. LaGuardia. I think so.

Mr. Wolcott. Returnable to the Treasury at only .0166⅔ percent interest?

Mr. LaGuardia. Experience might indicate a little better return, but I say, to start with, within the next 10 years, you will require the subsidy to the extent of the interest and at 1 percent.

Mr. Wolcott. What do you think is the average life of the property?

Mr. LaGuardia. As to these buildings at Williamsburg and Harlem, they are something that exist, and we are not just merely talking about blueprints, and I say that 100 years from now people will be looking at those houses that will not be able to remember the names of the men who had the lack of vision or were so blind as to cause the depression—I say they will look at those houses as monuments to the genius and the vision of American statesmen.

Mr. Wolcott. You think that they will serve that long?

Mr. LaGuardia. I certainly do.

Mr. Kennedy. Of course, that is very fine, but I think that you could use a better picture in answering some of these questions if you pick out one of the projects now in operation in New York, and tell us what is happening. Have there been any vacancies? Have they dispossessed anybody?

Mr. LaGuardia. We have not lost a penny in rents. There has been no disposition. I think we had one death and six babies were born, and everything is going fine.

Mr. Kennedy. That is the property that you took over?

Mr. LAGUARDIA. We built that, and, of coures, at Williamsburg we have expected to move in next month, but we are having a little strike there.

Mr. KENNEDY. A strike of the building trades?

Mr. LAGUARDIA. Yes.

Mr. KENNEDY. I think that you are very optimistic about those agreements with the building-trades council, and also about that 100 years. I think if you cut that off to 50, there might be some possibilities.

Mr. LAGUARDIA. I will show you some old buildings now that are more than 100 years old.

Mr. KENNEDY. Look at that development adjoining your Harlem development.

Mr. LAGUARDIA. Dunbar?

Mr. KENNEDY. They have been built about 10 years.

Mr. LAGUARDIA. Since 1927, I am told.

Mr. KENNEDY. They have depreciated on the basis of more than 10 percent a year.

Mr. LAGUARDIA. I do not know. I think the layout of our Harlem houses and at Williamburg is even better than at Dunbar.

Mr. KENNEDY. Of course, you know that I will vote for the bill, but I think we have to think about things of that kind.

Mr. HANCOCK. To what extent, if any, do you think the States or municipalities should cooperate in providing the necessary subsidies?

Mr. LAGUARDIA. I cannot speak for the States; I really cannot. I say that seriously.

Mr. HANCOCK. Could you speak for the State of New York?

Mr. LAGUARDIA. Oh, no. All that I can do is speak for New York City.

Mr. HANCOCK. The reason I was asking that is that I noticed in the record of the hearings before the Senate that you said, "I cannot speak for the States, but I do not know of any State which can afford to come in and subsidize these houses. I know mine cannot."

Mr. LAGUARDIA. Yes; I did make that statement.

Mr. PATMAN. Mr. Mayor, I would like to know something about the kind of contract you make with one who is to occupy one of these apartments. Do you give him a certain period of years, or can he purchase the apartment?

Mr. LAGUARDIA. He cannot purchase it.

Mr. PATMAN. He has a rental contract?

Mr. LAGUARDIA. Yes.

Mr. PATMAN. How long may he remain on the premises?

Mr. LAGUARDIA. As far as I understand, as long as they behave themselves.

Mr. PATMAN. Sixty years?

Mr. LAGUARDIA. Not if they change their status.

Mr. PATMAN. What do you mean by changing their status?

Mr. LAGUARDIA. Taking a young couple who qualify. The husband has a job at low wages, and he improves himself; he gets beyond the scale, and then he would move out and give way to somebody else. There is a long waiting list.

Mr. PATMAN. As one's wages increase to, say, over $1,300, he would have to move out and give way to someone whose earning power is under $1,300?

Mr. LAGUARDIA. Yes.

Mr. PATMAN. I believe that that is all I care to ask.

The CHAIRMAN. Mr. LaGuardia, we thank you very much for your very excellent statement.

We will resume at 2:30, when Mr. McDonald will be here.

Without objection, I ask to have made a part of the record a statement by Mr. John L. Lewis, of the United Mine Workers of America and the Committee for Industrial Organization.

(The statement referred to is as follows:)

STATEMENT OF JOHN L. LEWIS

On behalf of the United Mine Workers of America and the Committee for Industrial Organization, I wish to record their approval of S. 1685, known as the Wagner housing bill.

For the first time in the history of the American labor movement a practical plan approaches realization for providing Federal aid and stimulus for better housing for substandard wage earners.

The bill has been before the Congress for sometime and has been the subject of exhaustive investigations and hearings. We accept it as presenting, if not the most generous, a practicable Federal contribution to an objective universally recognized as no longer capable of evasion.

The bill undertakes to decentralize the housing activities provided for and to give Federal aid to States and political subdivisions and their local housing agencies and societies for slum clearance and low-rent housing projects. It is well known that housing construction has limped far behind our general recovery. In the 7 years from 1923 to 1929 the average new dwellings in cities of 25,000 and over was 447,000. In the 7 years from 1930 to 1936, inclusive, the average new dwellings in these cities was 73,769. Even in 1936 the residential construction shown by these tables was only 132,827, against 540,640 in 1925. As bearing upon this point of laggard housing, it has been widely noted that while employment of men in the manufacturing industry is approaching the 1929 level, the building industry has given slight evidence of taking up the slack of unemployment. So the problem of recovery still persists in this field.

The Federal credit extended through bonds issued by the Housing Authority is limited to loans not exceeding $700,000,000 for the next 3 years, and these loans are secured not only by the credit of local agencies but by the physical assets thus created. The sustaining hand of the Government has been extended to banks and railroads and other interests in which vast fortunes were in jeopardy. Nobody has questioned the propriety of that aid, for the structure of our finances and the national industrial economy were imperiled. Generous aid has been accorded our agriculture for the sound reason that one of the pillars of the national welfare was the restored prosperity of our farming population. Who, then, can question the prudential justification of Federal credit extended to promote a decent home life for millions of our industrial workers?

The outright contributions of the Federal Government may in no year exceed $20,000,000, and these are to be used to assist in assuring the tenant maintenance of the fixed low rent. Certainly a subsidy of this character is modest when considered with subsidies that have been voted railroads, air lines, and merchant marines.

Especially would I point out, as the view point of labor, the social and economic implications of this measure. It is a low-housing program intended to restore decent home life to substandard wage earners. According to the Brooking Institute, of the 27,500,000 families in the United States 42 percent in 1929 received less than $1,500 annual wage and 21 percent had to live on an annual wage income of less than $1,000. To a large extent the wage earners of these unfortunate groups have never been able to secure anything approaching decent housing conditions. They have been forced to accept the discarded and obsolete housing of more favored groups in the economic struggle, or have had to adapt themselves as best they could to the inadequate facilities which speculative bankers, industrial, or real-estate organizations have conceived for their exploitation. The lower the degree of their earning power has been, the greater has been the degree of rental exploitation of low-paid workers.

In mining, textile, and certain other industries, the remoteness of operation from town or urban communities has made it necessary as a rule, under exist-

ing conditions, for the corporate employer to provide housing facilities and rent them to their employees. While some employers have sincerely sought to provide sanitary and comfortable dwellings, as a whole the housing facilities in these communities have been backward and inadequate and not conducive to the healthy, comfortable, and proper standards of living which should be the birthright of every American wage earner. This condition becomes more apparent to the eye when you reach certain of our industrial cities. There slum lanes and wretched warrens teem with the disinherited of home life. In the humbleness of a home lies no test of its endearing qualities. But how can any one form an attachment for abodes of this character. Both the rural and city slums must be eliminated and replaced by comfortable dwellings. The testimony of health officers, of municipal authorities, and social workers agree that these slums areas are breeding places of diseases and vice and crime. Playgrounds, parks, and free hospital service are but the defensive measures of society against the miasma spreading from these poverty barracks. It is the decent home where the father and mother can inculcate the virtues of life and where the roots of citizenship are, after all, best planted. American labor is universally in support of this bill.

(Thereupon, at 12:55 p. m., a recess was taken until 2:30 p. m.)

AFTER RECESS

The committee met, pursuant to recess, at 2:35 p. m., for further consideration of S. 1685 and H. R. 5033, Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Steagall, Goldsborough, Reilly, Hancock, Williams, Spence, Meeks, Kennedy, Ford, Brown, Patman, McKeough, Evans, Transue, McGranary, Wolcott, Gifford, Luce, and Crawford.

The CHAIRMAN. Gentlemen, we have Mr. Stewart McDonald, Federal Housing Administrator, whom we will be glad to hear.

STATEMENTS OF STEWART McDONALD, FEDERAL HOUSING ADMINISTRATOR; DR. ERNEST M. FISHER, DIRECTOR OF DIVISION OF STATISTICS AND ECONOMICS, FEDERAL HOUSING ADMINISTRATION; MILES COLEAN, DEPUTY HOUSING ADMINISTRATOR; AND CHARLES C. McGEHEE, DEPUTY ADMINISTRATOR

Mr. McDONALD. Mr. Chairman and members of the committee, we have studied slum clearance, low-cost housing, and its allied subjects very carefully in the past 2 years. In fact, last year I sent Dr. Fisher, who is the director of our division of economics and statistics, abroad, in company with another one of our men from Harvard University, at their expense, and they visited practically every country in Europe, and we found this: That nowhere in any civilized country in Europe is it possible to provide adequate housing for people in the lowest brackets without some form of government help. That is our experience here, too, in this country. We found that a great many countries have experimented for some length of time on this problem, and none of them feel that they have struck the exactly correct answer. In England, for instance, they have made several radical changes in the last 15 years, and those changes are still going on. They have done a great deal of work.

We have analyzed this bill in the light of that experience, and we believe that we can endorse the bill. We believe it is a good start. It may not be the last word. It may be that our peculiar conditions as they are here in America may require some changes from time to time as they develop, but we see no recommendations that we could think of which would improve the bill as it is. There are some things in the original bill that may conflict with the activities of the Federal Housing Administration, dependent upon the way the law is administered.

I had a talk with Senator Wagner this morning on the section that I refer to as the section in relation to limited dividend corporations, and he tells me that that section of the bill will be stricken out. If that is the case I see no further objection that we can make, but on the other hand we wish to endorse the bill.

The only other comment I might make would be that I do not see the necessity of an administrator and four directors. If anything, I think we have got too many housing authorities and assistants here now, and a few less would add a great deal to the efficiency, and one administrator and possibly two assistants or directors would be sufficient. I think that covers our views on the bill.

Mr. FORD. What is the objection to the limited dividend corporation?

Mr. McDONALD. There is no objection, Mr. Congressman, to the limited dividend corporations. In fact, it is an excellent way to finance housing, but the Federal Housing Administration is now doing exactly that. In fact, we are building at the present time a matter of, I think, $12,000,000 worth of housing projects, and we expect during the course of the year to build at least $50,000,000 worth. We have completed several. We have two completed here in the city of Washington, and it is all being done by private capital, and therefore I cannot see the necessity of the United States Government financing projects that can be done as well by private capital.

Mr. WOLCOTT. Could not the purpose of this bill be accomplished by a few minor changes in the Federal Housing Act?

Mr. McDONALD. I do not think so. I do not think it is possible to do what is known as slum clearance, that is, removal of sordid, broken-down houses in these large cities through the use of private capital, in any way except giving them what would amount to practically 100-percent Government support in the end.

Mr. WOLCOTT. As far as I am concerned, I think your Administration has done a splendid job, having been tried and proved to be very efficient. I wonder if we are not making a mistake in setting up a new body here, and if it would not be better legislation to amend your act and give you the authority which we give to this new authority in this bill?

Mr. McDONALD. I think I can illustrate that by a little chart I have here, Mr. Congressman.

Mr. McGehee, will you bring me that chart on the wage earners and the people that are served through Federal housing? You can see that we definitely go down just so far, and after that we cannot touch them at all.

Mr. FORD. Pardon me, before going into that, I understand the Consumers' Housing Society has been eliminated?

Mr. McDONALD. I do not know.

Mr. FORD. That is just above the limited profit housing agency in the bill.

Mr. McDONALD. What I wanted to direct your attention to was the experience of the Federal Housing Administration in doing

two billion dollars' worth of business. It shows that we take care of people who wish to buy homes, whose incomes run from $1,000 a year right on through to about $3,000 a year, and very little above that. The big group of people is that group whose incomes are from $1,500 to $2,000 a year, as you see there, and by that same token, these same people are paying, the majority of them, $21 to $25, around that vicinity, per month, which pays for their home, interest on the mortgage, and the amortization, completely wiping out the loan in a matter of 20 years. So, if you treat that as rent they then own their home in 20 years. But, as you see, there are few, if any, who pay below $10 a month.

Mr. FORD. So, under that, it is obvious if people are compelled to live in the city they have to have some form of Government help.

Mr. MCDONALD. Of course, I have always wondered just how many of our people have to live in the cities. I know that there are a lot of people up in Harlem that they are figuring on building homes for. I am not sure but what they would be better off living in Alabama or Arkansas, but they are attracted to the city by the lights and the merry-go-round, and there they are, and for humanity's sake I presume we have to take care of them.

Likewise, there are a great many foreign-born people living in the slums in our big cities, and if you gave them the finest farm in Missouri they would not go out there and live on it.

Mr. HANCOCK. Mr. McDonald, would the provisions of this bill be applicable to rural communities, in your opinion?

Mr. MCDONALD. I do not understand you, Mr. Congressman.

Mr. HANCOCK. There exist in Washington and in other urban centers, slums. But do you think the bill could be applied helpfully to the rural communities? We have bad housing in our farm areas but there are no slums like you find in the cities.

Mr. MCDONALD. I have not been able to see how it could——

Mr. MCGRANERY. What would you think of this situation, Mr. McDonald? Up through Pennsylvania, and particularly in the Conewajo Valley, where there are large ore deposits, there was in one community, the town of Cornwall, I suppose about 1,500 houses up there and many of them are in very poor shape, all cluttered up together. Would you call that rural, urban, or what would you call it?

Mr. MCDONALD. I would call it urban.

Mr. MCGRANERY. You would call it urban?

Mr. MCDONALD. Yes. I do not see why this act could not take care of them.

Mr. GOLDSBOROUGH. Just for the sake of definition, I do not know where you are placing the limit. Would you call a town of 2,500 or 3,000 a rural or an urban community?

Mr. MCDONALD. I would call that an urban community. I do not know what the technical definition is. Perhaps Dr. Fisher can tell you.

Dr. FISHER. The Census Bureau calls all places of over 2,500 inhabitants urban places, all incorporated places.

Mr. GOLDSBOROUGH. Then below that would be rural?

Dr. FISHER. Yes; all towns with over 2,500 inhabitants are called urban.

Mr. GOLDSBOROUGH. I know, but below that they would be rural?

Dr. FISHER. Yes, sir.

Mr. GOLDSBOROUGH. All right; let us take a place of 2,000 inhabitants. Could you apply this act to a place of 2,000 population that has a section of four or five hundred where they live in squalor, shacks, and so forth?

Mr. MCDONALD. Mr. Congressman, my interpretation of this act is that it applies principally, and its benefits will apply principally, to places considerably larger than that, I think the largest cities, especially.

Mr. GOLDSBOROUGH. I just want to make this observation: You remember a group of us last spring had several conferences, Mr. Jones, yourself, and others, and I got the impression that the bill that we had last year applied especially to New York, Philadelphia, Cleveland, Cincinnati, and Detroit. What can you say about that?

Mr. MCDONNALD. As I read this act, I feel the benefits of it can be felt in all the large cities. It does not necessarily apply to New York, Boston, or Philadelphia. Either St. Louis or San Francisco or Los Angeles could benefit by it just as well. I think probably it would take a different scale of building costs and perhaps different rental costs in those localities.

Mr. GOLDSBOROUGH. I have noticed that there is no agitation at all in Baltimore for it.

Mr. MCDONALD. Of course, you must realize, too, that the squalor and the extent of the slums in the various cities depend, to a very large extent, on the size of the city. Usually the larger the city the larger the slums, and that is also due no doubt to the fact that a certain class of people who drift to the slums are attracted to the bigger city life rather than the smaller cities.

Mr. GOLDSBOROUGH. Baltimore is a city of about one million population, about the size of Boston.

Mr. MCDONALD. That is true. I come from St. Louis. We have about a million there, and we also have slums there. I think it is largely a matter of civic interest and civic pride as to whether people have an interest in those things and desire to eliminate slums.

The CHAIRMAN. Of course, real estate values enter into that.

Mr. MCDONALD. Yes; largely.

Mr. WILLIAMS. Mr. McDonald, what do you consider low income under the terms of this bill? Where is your limit?

Mr. MCDONALD. That is a thing I would like very much to ask you. We have been operating this low-cost housing section of our act, and have wondered about that. Do you have a copy of the Federal housing bill before you? We hope, at an early date, to come before you and ask you to change the wording of it because we have found it has interfered considerably with the operation of our act. It says for the purpose of providing housing for persons of low income, which is regulated or restricted by law or by the Administrator as to loans, charges, capital structure, and so forth. We have been stopped by that one little clause, "for persons of low income." Life-insurance companies have been willing to come and make a loan of $1,000,000, $2,000,000, $3,000,000 even, on a property that we insured. It is a good financial proposition, and it works out all right in every way, and we think we have made the deal,

and then all of a sudden their lawyers come back and say "we do not believe you have complied with your law here."

Mr. WILLIAMS. What has been your interpretation of it?

Mr. MCDONALD. We have interpreted it this way roughly, people that can pay in a city of the size of New York around $10 to $19 as a maximum can come under that class, above that it is questionable whether they can or not. Likewise, when you come to the city of Washington and speak of $16 or $17.

Mr. WILLIAMS. You mean per room?

Mr. MCDONALD. Yes; per room. When you get back here in Arkansas they are as low at $7 and $8, and we have one project at Crossett, Ark., that is $6.50 or $7 per room.

Mr. WILLIAMS. That would be $75 a month?

Mr. MCDONALD. No. Our apartments average a little over three rooms to an apartment, or three and a half rooms per apartment, or a little less than that.

Mr. WILLIAMS. What is your conception of a low income under the terms of this bill we are considering here?

Mr. MCDONALD. I would say that low income would include people in New York earning, say, under $1,200 per annum. As you go further back into the smaller cities, where the cost of living is less, I would drop that figure maybe to as low as $750 in relatively small places, also depending somewhat upon the climate.

Mr. WILLIAMS. What would it be in most cities?

Mr. MCDONALD. Running from $1,000 to $1,200 income. I would say that over $1,200 they would not be the class of people which should depend on the Government for help.

Mr. WILLIAMS. Then, upon that basis, how many people would there be in the United States eligible to receive this help?

Mr. MCDONALD. I cannot tell you. Maybe Dr. Fisher has something on that which he can give you.

Dr. FISHER. No; I have not with me.

Mr. WILLIAMS. It is generally recognized, is it not, as about 9,000,000 families?

Mr. MCDONALD. I think that depends, Mr. Congressman, upon the present state of prosperity of the country. I would say, for instance, that 1937 would not be the same as 1935 or 1934.

Mr. WILLIAMS. I see a compilation of figures in the report of the Senate bill which says that 49.2 percent of the people in the country have incomes of less than $1,250 a year. I am taking that as a basis.

Mr. MCDONALD. What year was that?

Mr. WILLIAMS. 1936.

Mr. MCDONALD. This was 1937.

Mr. WILLIAMS. Well, this was 1936.

Mr. MCDONALD. Would that be rural or rural and urban?

Mr. WILLIAMS. This is the entire population of the country.

Mr. MCDONALD. I suppose that might be true; I do not know.

Mr. WILLIAMS. That would mean that approximately half have incomes of less than $1,250 a year.

Mr. MCDONALD. We are speaking largely of urban population when we speak in reference to housing problems, because when a farmer has an income of less than $1,000 per annum he may enjoy every luxury on earth in a limited way.

Mr. WILLIAMS. And many of them are living in hovels as they are in the city.

Mr. MCDONALD. That is true.

Mr. WILLIAMS. This bill would not reach them at all?

Mr. MCDONALD. That is true.

Mr. WILLIAMS. On the assumption that there are 9,000,000 families in the country, and I think it is generally recognized it is about that number, I think that was in Senator Wagner's statement, that are within the terms of this bill if adopted. Now, that being true, what would it cost, what would be the ultimate cost if you took care of all of them?

Mr. MCDONALD. I am not able to say what would be the ultimate cost. If you carried ideal housing out to the ultimate end, it would probably cost a very large sum of money.

Mr. WILLIAMS. It is generally accepted that it would cost about $4,000 per living unit, is it not?

Mr. MCDONALD. Our projects cost about $1,300 per room, and these slum-clearance projects may cost a little less than that.

Mr. WILLIAMS. I mean per unit.

Mr. MCDONALD. A unit, I see.

Mr. WILLIAMS. That is the cost per unit?

Mr. MCDONALD. Well, about $3,000 or $4,000 a unit; yes.

Mr. WILLIAMS. About $3,000 or $4,000 a unit?

Mr. MCDONALD. Yes.

Mr. WILLIAMS. Under the terms of this bill, as I understand it, the annual subsidy amounts to about $20,000,000 a year?

Mr. MCDONALD. Roughly, I think we should take care of about 175,000 a year.

Mr. WILLIAMS. That is right, about 175,000, on a subsidy of $20,000,000 annually?

Mr. MCDONALD. That is right.

Mr. WILLIAMS. If you carry that through to its ultimate conclusion and take care of these 9 million families you would have a subsidy every year of something like 1 billion dollars, and have an outlay by the Government of some 36 billion or 40 billion. Now, that is a rather staggering figure to me.

Mr. MCDONALD. Well, I am not in a position to make any criticism of your figures, except to say that they seem to be very large. Even then, it seems to me that the Government is justified in taking some steps toward eradicating the slums in the large cities.

Mr. WILLIAMS. Is it your understanding that when these loans are made to these public housing agencies or authorities that there is no financial responsibility on their part at all?

Mr. MCDONALD. Mr. Congressman, I am Federal Housing Administrator, and I am not directly connected with this bill. The administration of the bill will depend a great deal upon how the law is worded, in its final form, and just exactly what policy is adopted, I am not able to tell you that.

Mr. WILLIAMS. It was my understanding from a reading of this bill through, that the State and political subdivisions of the States, cities, and municipalities, that those governmental agencies were back of the construction and management and financial responsibility ultimately for the payment of this debt to the Government.

Mr. MCDONALD. I should think you better ask that question of one of the sponsors of the bill.

Mr. WILLIAMS. I asked the major of New York this morning, and he said there was absolutely no responsibility back of them.

Mr. MCDONALD. I understand that under some conditions there would be no responsibility back of them.

Mr. WILLIAMS. Do you think it is a sound policy for the United States to make these loans either to a State or a municipality within a State or some agency rather, set up by them, which has absolutely no financial responsibility back of them?

Mr. MCDONALD. No; I think the States and cities should be made to take some licking, too.

Mr. WILLIAMS. I was surprised to hear that statement this morning, that there was no financial responsibility on the part of these public agencies to back these obligations to the Government. I think that is utterly unsound myself, and I want your understanding of this bill.

Mr. MCDONALD. I understand as to some conditions that is true, but whether that would be only an extreme condition, whether or not the administrator who is to be appointed in case the bill passed would still allow it, is something I do not know, but in my own mind there are a great many things we could do, that he could do. Dr. Fisher has studied this quite a little bit, and he can probably answer you.

Mr. WILLIAMS. I would be glad to have him answer, as that is a very important part of this bill.

Dr. FISHER. As I understand it, the bill provides that the loan shall be secured in a manner satisfactory to the United States Housing Authority.

Mr. WILLIAMS. Then it leaves it absolutely up to them, and as the mayor said this morning, to simply take the physical property as the only security they have.

Dr. FISHER. That is the provision of the bill, that it shall be secured in a manner satisfactory to the United States Housing Authority.

Mr. WILLIAMS. What does that provision mean which defines "public housing agency", subdivision 10 of this bill, on page 5?

Dr. FISHER (reading):

> The term "public housing agency" means any State, county, municipality, or other governmental entity or public body, excluding the Authority, which is authorized to engage in the development or administration of low-rent housing or slum clearance.

Is that what you refer to?

Mr. WILLIAMS. Of course, if you made a loan to the State, county, or municipality and they assumed responsibility there would be some authority that would stand responsible for the ultimate payment of the obligation to the Government, but if you simply said to some responsible agency satisfactory to the United States Housing Authority that is too indefinite.

Dr. FISHER. Of course, I can only express my opinion on that, Mr. Congressman. In my opinion the Administrator administering this bill would not make a loan unless it were satisfactorily secured.

Mr. WILLIAMS. Of course, it is a question of what is satisfactory, and that is what I am trying to get at.

Dr. FISHER. Yes, sir.

Mr. WILLIAMS. To simply say "satisfactorily secured" does not mean anything, or whether there is somebody back of it responsible financially.

Dr. FISHER. It seems to me it would be either secured by a lien on the property, or on the public faith and credit of the Government agency. That may be simply the Housing Authority organized for the purpose——

Mr. WILLIAMS (interposing). The Housing Authority organized for that purpose would have no financial responsibility, just as the Mayor told us this morning.

Dr. FISHER. It may not have.

Mr. WILLIAMS. It is simply an agency; it is the same as if a State or city undertook it on its own responsibility or some other public agency.

Dr. FISHER. Yes; it would seem to me——

Mr. WILLIAMS. I think it is a very essential and important thing to know what that means.

Mr. McDonald, are you familiar with the ability of the cities of this country to handle this proposition themselves?

Mr. MCDONALD. I am not.

Mr. WILLIAMS. Do you know, for instance, what the bonds of New York City are selling for on the market at the present time?

Mr. MCDONALD. Yes; I know what they are selling for on the market, but I do not know in detail about them.

Mr. WILLIAMS. What about the financial ability of the cities of the Nation to handle this proposition?

Mr. MCDONALD. I do not know. That is a matter that has given a great many people a good deal to thank about.

Mr. WILLIAMS. You know, in our own State, we have very high credit. We sold 3-percent bonds recently, 5-year bonds, for 103.

Mr. MCDONALD. I remember when we did not sell them so high.

Mr. WILLIAMS. What is that?

Mr. MCDONALD. I remember the time we did not sell them so high.

Mr. WILLIAMS. I know; but we are in that situation now.

Mr. MCDONALD. Money is cheap now.

Mr. WILLIAMS. Why cannot a State or a city handle this proposition?

Mr. MCDONALD. I think St. Louis probably could.

Mr. MCGRANERY. I understood you to say, Mr. McDonald, just a little while ago that this cannot succeed without some real Federal aid.

Mr. MCDONALD. I said Federal or State or municipal aid. I said it could not be done without outside assistance, whether the money comes from the city or county or State or the Federal Government, it does not make any difference.

Mr. MCGRANERY. I apparently misunderstood you before.

Mr. MCDONALD. If the city has the financial responsibility or the county has enough credit and wishes to do the job, all right.

Mr. WILLIAMS. If you carry out this proposition according to this bill it will mean, on the figures given here, that we would have some 30 billion dollars or 40 billion dollars in securities of the Government outstanding. That is, according to the provisions of this bill as I understand it.

Mr. MCDONALD. The bill carries a Government guarantee.

Mr. WILLIAMS. They can issue securities, but they must be guaranteed unconditionally, principal and interest, by the Government?

Mr. McDONALD. The Government might just as well issue Government notes and put the money out.

Mr. WILLIAMS. Yes; just like a lot of other securities we have outstanding.

Mr. McDONALD. Yes.

Mr. WILLIAMS. Of course, all of these securities are tax-exempt?

Mr. McDONALD. Yes; largely.

Mr. WILLIAMS. Not only securities but all of the other property of the various organizations and of the various projects.

Mr. McDONALD. I make no pretense as to how the best method of financing this bill is, Mr. Congressman. I merely say that is a Treasury matter, and the only thing I do say is that the people who have these small incomes cannot get adequate housing unless somebody helps them, the city, State, Government, or somebody else.

Mr. WILLIAMS. Is it your opinion that it is largely a local problem?

Mr. McDONALD. I would hardly say that. We live in a very complex civilization. I do not see, for instance, how you could make developments in Cleveland and make the situation in Cleveland an ideal situation without attracting to Cleveland slum dwellers, people from other places anxious to get the benefits of that improvement in Cleveland. I think the fact that we have our 48 States stretched out over such a wide area makes our problem of slum clearance very much more complicated than that which any other country in the world has to deal with.

Mr. WILLIAMS. We never have considered that there were any police powers at all in the Federal Government. As a matter of fact, these are all police matters, are they not? The matter of safety, the matter of policing, the matter of fire protection, the protection of health and morals in the community are what are known as police powers that have always been exercised by the municipalities and States.

Mr. McDONALD. Mr. Congressman, I do not feel that I can be drawn into a discussion of social problems or how to handle them, but all I know is if you ask me what the opinion of the Federal Housing Administrator is in reference to slum clearance I will tell you that my study of the situation leads me to the conclusion that through the use of private capital we cannot provide for these people.

Mr. WILLIAMS. But it would be, in your judgment, much more preferable if it could be handled by the cities and States?

Mr. McDONALD. Yes; if the cities were in a financial position to do so, could do it, it would be better.

Mr. WILLIAMS. Do you believe it is a function of the United States Government to make a State do something?

Mr. McDONALD. They have been very successful in England. They have gone so far in England that they will move into a city like Birmingham, and if they will not proceed they will insist on it.

Mr. WILLIAMS. Make them do it?

Mr. McDONALD. Yes.

Mr. WILLIAMS. Step in and perform all of the police duties?

Mr. McDONALD. Yes.

Mr. KENNEDY. When you say they you mean the British Government?

Mr. McDONALD. Yes; the British Government.

Mr. KENNEDY. Mayor La Guardia paid you a very high compliment in connection with improvements that are going on in our city. Do you know, our State legislature passed a law providing that if a building did not meet certain standards they could make the repairs or compel the owners to repair them? I understand your bureau has been very helpful in supplying money to carry out those improvements.

Mr. McDONALD. We do not loan any money. We merely insure loans and loans are furnished by the banks, life insurance companies, and building and loan associations.

Mr. KENNEDY. Are you familiar with what has been going on?

Mr. McDONALD. Yes.

Mr. KENNEDY. Do you think that same program could be extended throughout the country successfully?

Mr. McDONALD. To some extent. The trouble is most of these properties that would have to be helped through the use of a loan insured by the Federal Housing Administration are already under water as far as mortgages are concerned, and the man who has the first mortgage as a rule is not willing to subordinate that mortgage to what would have to be a mortgage ahead of it in order to put in those improvements. It is a selective proposition. You have got to go through a city and pick out a job here and there. You cannot move in on any one block and take all of the property in that block.

We spent quite a little time in New York, for instance, going over some of those areas. Oh, there would probably be 25 different property owners and six-story tenements in one block. The way that was handled was to take six properties, and maybe demolish every fourth or fifth house to make an air space, and then issue another mortgage on the rehabilitated property, which could be done from one point of view very readily. The property had cost quite a little less than building a new house, but it was a terrible job to get around to all of the different property owners, to get them interested, and to subordinate their mortgages, and some of these were in estates with interests scattered all over the world. It was such a long-drawn-out proposition that notwithstanding its apparent possibility, comparatively little work was done. Does that answer your question?

Mr. KENNEDY. I think so.

Mr. McKEOUGH. May I get back for just a moment to Mr. Williams' question of Mr. McDonald? I think Mr. Williams asked Mr. McDonald if the city of St. Louis could take care of whatever slum clearance was necessary by reason of local financial stability, and I think you answered in the affirmative.

Mr. McDONALD. I do not think, perhaps, I made myself exactly clear.

Mr. McKEOUGH. As I understood Mayor LaGuardia this morning, he stated he represented all of the municipalities of 25,000 or over, and he was speaking for the mayors, and he was representing the Mayors' Conference, and I presume included St. Louis. I would not want to discount St. Louis' high-grade standing or that of the State of Missouri, but it seems to me that both the city of St. Louis and the State of Missouri have accepted whatever contributions the Federal Treasury may have made for the works progress activities in the State of Missouri and the municipality of St. Louis, and if Mayor LaGuardia were representing the mayors of the country, I

take it he was representing St. Louis, as well as Chicago, New York, Philadelphia, and the other cities of the country. I would like the record to merely correct that impression.

Mr. WILLIAMS. Of course, these cities will take anything that they can get. We have gotten into the habit of making a Santa Claus of the Federal Government. Of course, they will accept what they can get, but I still say this country is full of cities that can handle this for themselves.

Mr. MCKEOUGH. Even though the mayor of New York, representing the municipalities of the United States, told you that he represented them?

Mr. WILLIAMS. Yes. I do not mean that they are not making their applications. Of course, they want to place the responsibility somewhere else, but if it came to a show-down they have the resources, their assessed valuation shows that, and the markets for their securities show that they are in perfectly sound financial condition.

Mr. MCKEOUGH. I might state that, on behalf of Illinois, that I think their bonds are selling at the same high ratio of indicated security as Missouri's, but I want to be honest, even though I am from Illinois, and indicate that I remember the time that they could not get a bid, and I think that applies to Missouri as well as St. Louis and Chicago. I would just like to show that in the record. There is no use fooling ourselves about it. As I see it, there is need for this kind of work. It is an unhappy state that presents itself to the country today. I think much of the responsibility for so-called slums does not relate so much to the desire of the people to come to large municipalities of the Nation in order that they might chase the bright lights as it was due to the industrial development of this Nation, that a great number of people were attracted to the metropolitan areas of the United States, known as the industrial cities of the Nation, because of false hopes, and greater allurements that were offered by labor agents of large corporations to attract those people to those cities, but they found themselves without adequate housing after they got there. I do not think we have to trespass on our fancies or imaginations to realize that we have a problem. It is not a theory, but a condition, and that condition has been with us ever since we have expanded from an agricultural Nation into an industrial one, and obviously it has not been answered up to now, and I think that there is great room for the Federal Government from the standpoint of the attitude struck by the mayor and expressed here by him this morning at this hearing, that the problem is one that relates to the security of the Nation and its future development by securing proper and adequate housing for its people. I do not think we ought to get off into the realm of the credit possibilities of municipalities, States, and counties, and school districts or any other local subdivisions of State governments. The problem is here and has been here for a long while. We are asked to meet it, and I think we should.

Mr. HANCOCK. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Hancock.

Mr. HANCOCK. Mr. McDonald, do you not think the State or city governments ought to assist the Federal Government in providing the necessary subsidies?

Mr. MCDONALD. There is a theory to that effect, that they should.

Mr. HANCOCK. How do you stand on that theory?

Mr. MCDONALD. I lean that way somewhat.

Mr. CRAWFORD. Mr. Chairman.

The CHAIRMAN. Mr. Crawford.

Mr. CRAWFORD. Mr. McDonald, right in that connection, on page 77 of the hearings in the Senate you say:

> It has certainly been demonstrated that the administrative responsibility for the planning, development, control, and financing of housing facilities must be delegated primarily to local rather than Federal authorities.

Do you feel that the provisions of H. R. 5033 and Senate 1685 delegates that power sufficiently to local authorities and imposes that obligation on them? The reason I ask that question is because it goes back to your experience.

Mr. MCDONALD. I think that as near as we can determine that seems to take care of the situation.

Mr. CRAWFORD. There is another question in my mind in reference to your testimony, and that is this: You advocate this legislation, this proposed legislation, more from an institutional standpoint than from the viewpoint of giving specific relief to this whole problem? In other words, are you advocating that we now move in this direction from an institutional standpoint to get rid of or solve this housing problem? I want to find out if you are recommending that more than you are these specific bills?

Mr. MCDONALD. I do not believe that I quite get the point you are driving at, Mr. Congressman. I am sorry.

Mr. CRAWFORD. We have this housing problem with which you have been dealing?

Mr. MCDONALD. Yes.

Mr. CRAWFORD. Now, if I understand it, they have been financed by private capital——

Mr. MCDONALD. I have been dealing with the housing problem as financed by private capital to furnish homes for people who are able to pay for their own homes, but not those who are not.

Mr. CRAWFORD. As indicated to you by banks that are willing to go along with the proposition that you insure?

Mr. MCDONALD. That is right.

Mr. CRAWFORD. That is as far as you have gone?

Mr. MCDONALD. Yes; with bank, life-insurance companies, and building and loan associations taking the loans.

Mr. CRAWFORD. I want to know whether you endorse these two bills specifically, or whether you would endorse the Government now coming along, moving institutionally in the direction, through these means, of leaving the housing problem to the United States?

Mr. MCDONALD. I endorse the theory of the Government to assist in a subsidy of some form of low-cost housing.

Mr. CRAWFORD. I think our minds meet, then, from an institutional standpoint.

Mr. MCDONALD. Yes.

Mr. CRAWFORD. Now, may I ask you one other question? On page 76 of the Senate hearings of your testimony you say:

> However, the plain fact remains that notwithstanding this it is an utter impossibility for private capital to venture into the field of providing any sort of suitable new housing for the lowest-income group dwelling in the slums of our largest cities—at least under the present organization of the financial and building industry of the country.

Would you mind giving us a little more light on what you mean by the present organization of the financial and building industry?

Mr. McDONALD. At the time of writing that there was some discussion as to whether or not the manner of constructing housing in America might undergo a radical change. Whether that is in the near-offing, or in the far-distant future, is something I am unable to say.

Mr. CRAWFORD. Is that from the standpoint of technological improvement?

Mr. McDONALD. In particular technological improvements as a designation of various improvements. For instance, we all know that plumbing materials from the time they move from the manufacturer into the house in which they are used are marked up three or four times in price. Whether that will be changed I do not know. There are discussions that are taking place with large material people with a view to organizing contracting companies of tremendous capital who would operate on a large scale, buy these plumbing fixtures, or even have them made for themselves and install them with no middleman's profit, and so forth. If that revolution could take place in building construction, why, then, dwelling units could be brought down much lower than they are today, and that retail price to the people whom the Government would have to help would be correspondingly reduced.

Mr. CRAWFORD. That refers to the building industry. Would you comment just a little bit on the importance attached to the word "financial", or is that included in that?

Mr. McDONALD. It is largely included in that, because that new method of construction would involve a radical change in the matter of financing, too.

Mr. McGRANARY. Do I understand you to say that your Administration at the present time was taking care of people who could make a monthly payment up to $25 very readily?

Mr. McDONALD. Oh, we take care of people who can make a monthly payment of less than $25. Some of our monthly payments are as low as $10. From 10, 11, 12, 13, and 14, and so forth.

Mr. FORD. What type of house is that?

Mr. McDONALD. That differs entirely with the locality. You can furnish an adequate house in the South much cheaper than you can in the large cities, say in New England, where you have deep foundations and heavier construction to take care of the severe winters. We have insured some as low as $1,200, but our average mortgage is around $4,000.

Mr. FORD. Do you recall what your normal monthly payment is per thousand in Los Angeles?

Mr. McDONALD. I do not think that differs very much from the average. I was out there last summer myself, and I think the average monthly payment amounts to $10 per thousand per month. That would be on a $4,000 mortgage, $40 a month. Of course, we furnish a pretty nice house out there for that money.

Mr. FORD. Here is another question that bothers me. The Senate bill provides that these contributions shall be made for 40 years, and then up to 60 years if the Authority so decides. Do you not think that in setting that contribution at 60 years you are projecting it far into the future?

Mr. McDONALD. It appears so on first glance to me, and yet on looking at the way these houses are being built and studying the matter further, I do not think that is excessive.

Mr. FORD. Do you not think it would be just as well after a 20-year period of contribution has expired that it might be then wise to have the Authority come back to Congress to carry it further?

Mr. McDONALD. That might be an administrative suggestion I have not thought of.

Mr. FORD. It seems to me that 60 years is a long way in the future.

Mr. McDONALD. However, the way they are building those houses now, they will last a long time.

Mr. FORD. I have seen them. Would you say that the houses in Greenbelt out here would last a long time?

Mr. McDONALD. I have not analyzed the Greenbelt houses. I went through there one day. It seemed to me that they were very well built.

Mr. FORD. They are very well built. I realize that. They have all of the gadgets that go into modern building, but I would hesitate to take a mortgage on one of them for a 60-year period.

Mr. McDONALD. Of course, that is the extreme limit of time that the Administrator is allowed.

Mr. KENNEDY. You make your mortgages, or a great many mortgages, on the big houses, do you not?

Mr. McDONALD. On large houses?

Mr. KENNEDY. Yes.

Mr. McDONALD. Yes; we have made many on the large houses.

Mr. KENNEDY. Do you feel that those houses have in any way reduced the slum problem?

Mr. McDONALD. Perhaps indirectly, some.

Mr. KENNEDY. The rentals are all around $17 to $18 per room per month, are they not?

Mr. McDONALD. We have some here in Washington where the rentals run, well, $14.

Mr. KENNEDY. When we talk about slums we talk about $5. You would not consider a man paying $60 a month in the slum class, would you?

Mr. McDONALD. Here is what we hope will happen with the further activity of a large-scale development: That ample facilities will be eventually furnished at lower rents than now exist and that the people who are now occupying the second-grade habitations will get those paid for and move up into ours, and then another group will come in and take those.

Mr. KENNEDY. You think that is a process of evolution?

Mr. McDONALD. Yes; a process of coming up. We, for instance, in going back to your rehabilitation problem, we have fixed one up in Chicopee Falls, which will rent for $4.50 a room, and the building there is over 100 years old.

Mr. KENNEDY. You have not any mortgage on a building for anyone in a slum area?

Mr. McDONALD. No, sir.

Mr. KENNEDY. Those mortgages have all been on property out in the suburbs and around the fringe of the city?

Mr. McDONALD. Yes, sir; and the very nicest places we could find.

Mr. CRAWFORD. In this rehabilitation project which will run $4.50 per month per room, does that give them air and sunshine in each building?

Mr. MCDONALD. Mr. Colean, will you explain that particular project?

Mr. COLEAN. That was a project in Chicopee Falls, which is a suburb of a mass-industry community, and consists of about 24 buildings nearly 150 years old, brick buildings originally built by the mill when it started there. It happened that the original buildings were so planned that there were only two rooms, and they had ample central courts, and so forth, so that it remodeled with a minimum expense into a very desirable modern building, and the people are actually moving back into the project with modern equipment that were living in the former buildings with no equipment at all.

Mr. CRAWFORD. The original construction was so solidly built that the depreciation during all that period has not been so excessive that you cannot go along rehabilitating?

Mr. COLEAN. Yes; that is correct. The rehabilitation took into consideration the fact that smaller units are needed today than were needed at the time the buildings were built, and a different type of equipment.

Mr. KENNEDY. How high were those buildings?

Mr. COLEAN. Two stories.

Mr. HANCOCK. What in your opinion, is the difference between a family of low income and a family of lowest income?

Mr. MCDONALD. Between a family of low income and one of lowest income?

Mr. HANCOCK. Yes. Will you state it in dollars and cents?

Mr. MCDONALD. That depends entirely upon the community in which they live. I think if a man gets less than $1,200 a year in New York City, on Manhattan Island, he is in the lowest income brackets.

Mr. SPENCE. Would the size of the family have anything to do with it?

Mr. MCDONALD. We have innumerable cases where they are making payments upon a house where there are three or four members of the family who chip in and pay the monthly payments. We have women who are cooks whose daughters are stenographers, and another daughter works in Woolworths, and the three of them together make the payments.

Mr. HANCOCK. What would you say of a family of lowest income living in Alabama?

Mr. MCDONALD. In the city in Alabama?

Mr. HANCOCK. Yes; an urban family.

Mr. MCDONALD. Well, again, I would say it would depend upon whether it was in a small city or in a city like Birmingham. I should say in Birmingham it would be around $900 to $1,000, and in other cities in Alabama, $750, or something like that.

Mr. HANCOCK. That is what you consider the families of lowest income?

Mr. MCDONALD. I would say that was about as low income as could take care of this.

Mr. HANCOCK. You think this measure certainly ought to be directed toward the lowest income class first? Do you not?

Mr. MCDONALD. That class, and the class below it. I think it should take care of people below that who do not even have that much income.

Mr. HANCOCK. I feel the same way. Mr. McDonald, have you had an opportunity to carefully analyze the financial provisions of this bill?

Mr. MCDONALD. No.

Mr. HANCOCK. You have not read it carefully, have you?

Mr. MCDONALD. No; I have not. I have sat in on two or three meetings with the Treasury Department, and we were not sure, but we decided that was a matter for the Treasury Department to pass on and not us.

Mr. HANCOCK. When you come here and say you endorse this bill you mean as Administrator of the Federal Housing Administration you endorse its objectives as we all do?

Mr. HANCOCK. That is right.

Mr. LUCE. Mr. McDonald, I want to inquire about the feature of the bill relating to the exemption of the occupants of these buildings from taxation. Are you inclined to answer that question?

Mr. MCDONALD. I cannot hear you.

Mr. LUCE. This bill provides that the occupants of these structures shall be exempted from taxation. I wanted to inquire from someone as to the reasons for that, and wondered if you felt inclined to answer.

Mr. MCDONALD. As to the occupants?

Mr. LUCE. The bill provides that these tenants shall not bear any burden of taxation.

Mr. MCDONALD. I think such a provision as that is to show the contribution that the State is making. The State is making that contribution by exempting the person from paying taxes. In other words, a project in New York or Maryland, or wherever it might be, might be exempt from paying taxes which, in turn, would exempt the occupants. I think that is the theory of it, isn't it, Doctor?

Mr. WOLCOTT. The theory of it is that these States cannot tax them, and they enter into agreements to pay lump sums in lieu of taxes?

Mr. MCDONALD. Yes; something like that.

Mr. LUCE. I did not mean to pursue an inquiry lhat you did not feel you had given thought enough to answer.

Mr. MCDONALD. I think that would be the only observation I would care to make it.

Mr. GIFFORD. You are entitled in this bill to make limited dividend organizations loans up to 85 percent of the cost of the project, and they certainly would not be exempt from taxation.

Mr. MCDONALD. Mr. Congressman, I think I have explained in the early part of my testimony that it was my understanding that the provision in reference to the limited dividend corporations is to be eliminated.

Mr. GIFFORD. The bill says the Housing Authority may make loans up to 85 percent of the cost of projects, of the low-rent housing projects?

Mr. MCDONALD. I understand that is to be eliminated.

Mr. GIFFORD. Well, the bill is here in front of me.

Mr. McDONALD. Senator Wagner told me he would eliminate that by reason of the fact it conflicted with the low-cost feature of the Federal Housing Act.

Mr. GIFFORD. Why did he put it in the first place?

Mr. McDONALD. Pardon me, Mr. Congressman?

Mr. GIFFORD. I say, why did he put it in there in the first place?

Mr. McDONALD. I do not know; I did not ask him. Senator Wagner seems to be deleting and adding more to a great many things, especially as to your rural propositions.

Mr. LUCE. I wish to inquire about a matter to which you have very likely given more thought. I have observed in your testimony that in the matter of age of a building, the number of years was the only thing to be considered. May I lay before you one experience of mine? I started off by sharing in building a four-apartment house, one apartment of which I occupied as a young man. The first thing that happened to the value of the house was the development of the idea of having separate entrances. Now, every applicant for an apartment wants his separate entrance. The next thing that developed was electric lights. That became a necessity of life and had to be provided. The next thing that came was open plumbing, and that also had to be provided. The whole history of the apartment has been that of requests for something brought about by invention from time to time. The house is in good condition, and it has been kept in perfect repair, and it is almost worthless, and is not quite 60 years old. How do you meet that?

Mr. McDONALD. I cannot say. A great many problems enter into the value and desirability of a house. Oftentimes a neighborhood goes bad.

Mr. LUCE. May I answer, sir, that it is undoubtedly in the best location of the suburban city in which it stands. It faces a park with a magnificent view over miles of country. It is close to the public buildings and has every attraction that a house should have. During the last 6 years it has not been possible to keep it full. By the way, two of the apartments have rented most of the time for $20 a month. Speaking of low-cost apartments, do you wonder that I have some difficulty in accepting the theory that there is absolute need for a bill of this type?

Mr. WOLCOTT. The President, on June 8, in a press conference, stated that he was going to turn thumbs down on any bill that attempted to allow subsidies or contributions over a period of 60 years in favor of his plan, which would authorize grants of 40 percent. I suppose he contemplates the local authorities would raise the other 60 percent somehow or other. What is your opinion of those two plans? Do you think the President is right, or Senator Wagner?

Mr. McDONALD. I think all of those things were referred to the Treasury, and I think the Treasury has indicated which plan is most suitable to them.

Mr. WOLCOTT. The Treasury apparently feels that, and the President has taken the attitude, as I understand it, that we should adopt a program having in mind a 40-percent grant. Do you think that a 40-percent grant from the standpoint of Government finance and safety of investment is better than a subsidy extending over a 60-year period?

Mr. McDOALD. Mr. Congressman, I am sorry to say that I am not in a position to discuss that. I think that is something that involves financial study, to which someone should have applied a great deal of time, and I understand the Treasury has done it. I do not care to make any comment.

Mr. WOLCOTT. Now, the history of that appears in this morning's Post under the heading of "Politics and People", by Franklyn Waltman, and he goes on to state the confusion in the House program and he says:

> Illustrative of this confusion—and as far as the revised Wagner bill goes, also illustrative of the Machiavellian draftsmanship—is the question whether the Federal Government should be committed to make annual housing subsidies for a period of 60 years. The original Wagner bill plainly authorized the housing authority to enter into contracts to make such payments for a period not exceeding 60 years.
>
> First, the Treasury objected to that provision last March. Then, on June 8, President Roosevelt at a press conference raised the same objection. On that occasion I wrote in the Washington Post that "President Roosevelt at his press conference turned thumbs down on any housing program that would obligate the Federal Government for 50 or 60 years to provide subsidies to make possible reduced rentals for the benefit of low-income groups." Mr. Roosevelt on that occasion recognized the necessity for subsidizing low-cost housing and slum clearance, but he spoke favorably of the lump-sum subsidy method—that is, a Federal grant of 40 percent of the cost of the project, paid at the time of construction.

Now, if we have got to take a licking on this, and quite apparently we have, in order to accomplish the purpose of this housing legislation, is it not better to take it all at once than to continue it over a period of 60 years, so that we know what the loss is going to be, or the approximate loss? Under this bill, as I understand it, the loss ranges anywhere from $750,000,000 to $2,000,000,000. Is that why you favor contribution by the localities, to share part of this burden?

Mr. McDONALD. Well, Mr. Congressman, as I have said before, the matter of financing these projects is a very difficult study, and one that best suits the Treasury, and is something that I am not able to say. I know they have discussed the matter and studied the matter from every possible phase.

Mr. WOLCOTT. There seems to be quite a bit of confusion in the administration itself as to what policy we should adopt. There have already been set up for the relief of the home owner and to create low-cost dwellings, and for slum clearance, I think, five different agencies. Now we are asked to set up another agency to involve another phase of this program. Why could not the administration sit down and determine upon a definite policy and then through a coordination of activity through the five different departments under one housing head accomplish its purpose and let us know here in Congress what it wants to accomplish? They come down here with a perfectly good theory we all of us would like to contribute to. Your organization has done splendid work, and the Home Owners' Loan is doing splendid work, but one is overlapping the other. You have contributed to slum clearance. The W. P. A. and the P. W. A. have contributed to slum cleanrance. Now we are asked to set up a permanent agency for that purpose. Now, can we not have some understanding with the administration as to whether this is their policy or whether something a year from now is going to be their policy? I think we ought to have some definite statement from the

President or the Treasury or someone in authority as to what their desires are. Here is Senator Wagner presuming to be speaking for President Roosevelt with a measure in Congress which, according to all of the press reports, is diametrically opposed to the President's program. If the President is correctly quoted in his press conference we have no assurance that the President will not veto this bill if we pass it. We would like to have somebody from the administration tell us what the policy of the administration is with respect to those we want to help by creating low-cost housing projects.

Mr. FORD. The Senate bill provides that the President can consolidate the assets with other existing agencies through this agency if he so desires.

Mr. WOLCOTT. Yes; I understand that, but I think we ought to have some definite understanding because of this reorganization he is getting into, as to whether he is going to do it or not. The reorganization program has split the Senate wide open and split the House wide open. I think we ought to know most definitely what the President intends to do with respect to these housing problems.

Mr. HANCOCK. May I make an observation there? I have neither seen nor heard anything that indicated that the administration has yet adopted any declared or definite housing policy. I think I can answer his question perfectly by saying that I think the opinion of the gentlemen who have sponsored this legislation is that this annual contribution method of subsidy is the only way, in the absence of substantial local financial responsibility, whereby the Federal Government can continue to insure or be assured that these projects will carry out the purposes for which they were built, to wit, to provide low-rent housing for people in the lowest income brackets. Is that your understanding?

Mr. MCDONALD. Yes.

Mr. WOLCOTT. I might share the gentleman's opinion on housing, but the point that I want to make is do you represent the administration in presenting the bill? Are you in a position to say that it favors this bill or are you expressing your own personal view?

Mr. MCDONALD. Merely that of the Federal Housing Administration, myself.

Mr. WOLCOTT. Who will be before the committee representing the administration to tell us whether the President himself has adopted this as a matter of permanent housing policy?

Mr. HANCOCK. I do not think he——

Mr. WOLCOTT (interposing). If we write our own bill, our own housing bill, I would say we have adopted a very marvelous policy in that respect.

Mr. HANCOCK. On the question of administration under the bill, do you know what would be the method of selecting the tenants?

Mr. MCDONALD. The tenants?

Mr. WOLCOTT. Yes.

Mr. MCDONALD. I do not.

Mr. HANCOCK. Would the Authority be bound by the provisions of the George-Healy Act?

Mr. MCDONALD. I do not know.

Mr. HANCOCK. In the research and study made by some of your experts in England and other foreign countries you have reports showing how those projects are administered and maintained, have you not?

Mr. MCDONALD. I have.

Mr. HANCOCK. In the discussion between Senator Walsh and Senator Wagner before the committee, in the interests of being assured that the provisions of this bill hereafter would be directed toward protecting people in the lowest income brackets, the slum dwellers, rather than the people of moderate income that might be classified as families of low income, you stated that that was the real problem. Senator Walsh said:

> I agree with you. I think there is a great difference between low-income groups and slum groups. I confess that I have had a great deal of trouble last year, and you did also, Senator Wagner, because I know you feel as I do about that, in getting that line of demarcation. Now, it is practically admitted to us by the Interior Department that they confine themselves to low-income group buildings and have only incidentally touched the slum problem. I think it is very desirable that we should build low-income group buildings possibly, but we first ought to wipe out the slums.
>
> Senator WAGNER. That is the objective.
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> Senator WALSH. Decidedly so. I believe Senator Wagner feels deeply on that subject, and I do also. I do want some safeguard so we will not get into the situation where we will be dealing with influential low-income groups who have votes, and the poor widow, washwomen, orphans, and others who have to live in these slums are forgotten.
>
> Mr. MCDONALD. It may interest you to know that in some countries, I think particularly in Holland, that is a matter of policing, you might say, or supervising the slum dwellings erected by the State. That is a study that is taken up by women a good deal like nursing. They watch these families very carefully. They say that people of small incomes are allowed to occupy publicly owned properties and they must conduct themselves, after they are in these Government-built homes, in a manner that is becoming to the original intention.

What is the meaning of all of that?

Mr. MCDONALD. Doctor, will you explain all of those various provisions?

Dr. FISHER. The provisions vary, of course, a great deal from country to country. In England, where the public housing program has been very well administered, the local public authorities are for the most part municipalities, or local councils, and are directly responsible to the central government.

Mr. HANCOCK. They always contribute financially, too?

Dr. FISHER. Yes; they contribute financially, too.

Mr. HANCOCK. That is required?

Dr. FISHER. That is required, yes, sir; and these Authorities are directly responsible to the central government for managing the properties as the central government dictates. Literally the central government dictates to these local authorities.

Mr. LUCE. May I interrupt for a question? How many persons can occupy a bed room? If the bedrooms are crowded a vistor may sleep in the living room?

Dr. FISHER. In England under the act of 1935 it is a penal offense for both the landlord and tenant to overcrowd any dwelling in any way, both private and public.

Mr. LUCE. There are some standards set forth in the Walsh-Healy Act with respect to the selection of tenants and the use of the property, are there not?

Dr. FISHER. I am not familiar with those provisions. I may say, in general, that in England the provisions are that not more than so many persons per room can occupy residential properties. Persons are all those over the age of 10. Children under the age of 10 count

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as half persons. In connection with the proper management of the property, the women property managers are trained property managers, who not only supervise the management of the properties, but also do a great deal to improve housekeeping standards of the tenants themselves.

Mr. LUCE. Is it not a fact that over there in most of the countries that the operating and maintenance cost is about 60 to 65 percent of the rental received from the property?

Dr. FISHER. I cannot say what that figure is. The maintenance costs and operating costs are considerably less over there, smaller in proportion to the total amount of rent received from the property than in this country, partly because the houses are more substantially built, speaking generally, than private houses are built in this country.

Mr. LUCE. I think it is generally estimated that it takes about 60 to 65 percent of the rental income to maintain and operate properties of that character over there?

Dr. FISHER. It is considerably less in different European countries, but I cannot quote the figures on that offhand.

Mr. KENNEDY. Do you know how far they go in the matter of supervision of the tenants? Are you allowed to cook any sort of commodity you want to? For instance, in some houses they do not want you to cook certain types of food because of the odor. Is there any supervision of that kind over there, or are the tenants permitted to do pretty much as they please?

Dr. FISHER. In most of the properties of this kind in England, Holland, and Germany, there were rather strict house rules which tenants must observe. It is a very interesting thing to see the improvement in the housekeeping standards of these people after they have lived in one of these properties for a while.

Mr. KENNEDY. For instance, in my particular neighborhood, in a building where 20 families live, you might have a German family and a Jewish family, and I do not know whether the Irish would be allowed in, but there may be one or two of them, and then a Hungarian family, and you might have eight or nine different nationalities living there. Of course, you know they are all pretty good cooks, and make quite a combination of cooking practices. Would they all have to cook their corn beef on Monday, and roast beef on another day?

Dr. FISHER. I have seen no provision concerning that case.

Mr. KENNEDY. Speaking of overcrowding these rooms, if a family moved into a building with two children, and after a respectable time they had five or six children, and they would then be in a crowded state, would they put them out of those quarters if they did not move to larger quarters?

Dr. FISHER. Under the law in England they would have to move to larger quarters.

Mr. KENNEDY. Regardless of their financial state?

Dr. FISHER. They could not live in either private or public property in England now.

Mr. KENNEDY. You are testifying then that the local supervision exists to the point where if a man reached a certain status he would be expected to move out of the property he occupies? I do not know how they determine when that time arrives, but when it does, he has to move out?

Dr. FISHER. In England the administration of these properties is excellent. The central government constantly puts pressure on the local authorities to utilize the subsidies in such a way as to house the people that need it most, and they require from time to time review on the part of the local authorities of the income of the tenants who are occupying public properties.

Mr. KENNEDY. The provisions of this bill also go to the point of eliminating slums, by that I mean demolishing them. Do you not think it would be a waste of money to keep building new buildings before actually demolishing the old ones?

Dr. FISHER. In my personal opinion it would be an improvement of the bill if it were to provide that for every new dwelling structure erected an old dwelling must be destroyed; that is, demolished, condemned or repaired or improved in such a way as to make it a sanitary, safe dwelling.

Mr. KENNEDY. You are no doubt familiar with the so-called Harlem development, wherein Mr. Rockefeller owned properties for years and years there and did nothing with them. Then he came along and put up beautiful apartments, but he has not demolished one single apartment.

Dr. FISHER. The problem that arises there is the problem of forcing people out of existing properties that are overcrowded, when they have no place to go. But I made my statement carefully when I said the bill should provide for the demolition and repairing of unsatisfactory houses. In that case, it seems to me that the local housing authority would be given an opportunity really to meet the housing conditions at almost twice the rate at which they would be improved solely by building new dwellings, without repairing the old ones. If we went promptly into a building program, building new dwellings without demolition or repair or repairing the old, we would vacate some of the unsanitary quarters, but when people came out of them other people would move in, and the improvement in housing conditions would not be as rapid as it would be if tied in with those conditions.

Mr. HANCOCK. I want to say that a measure which bears my name that has been before the committee since January contains that very provision.

Dr. FISHER. I have not seen that, Mr. Congressman.

Mr. HANCOCK. It is H. R. 3487

Dr. FISHER. I would like very much to see it. I think caution must be taken in requiring that the old building be torn down or improved before a new unit is built.

Mr. HANCOCK. After it is built.

Dr. FISHER. Or in connection with the project; yes, sir, subsequently.

Mr. HANCOCK. After actually building the new one?

Dr. FISHER. Yes; subsequently.

Mr. HANCOCK. May I ask you, from your study of these provisions in foreign countries, what effect, if any, does such supervision or regimentation have upon the morale of the tenants or inhabitants of the buildings? Does it make them more dependent on the government, or does it tend to make them more self-reliant? Do they

ultimately feel that they will become wards of the government? Did you notice any decided tendency in either direction?

Dr. FISHER. Yes; on the whole, I should say that the tendency is to make them more independent.

Mr. HANCOCK. Independent?

Dr. FISHER. Yes; more independent.

Mr. HANCOCK. Because of the improvement in living conditions?

Dr. FISHER. Yes; because of the improved living conditions; but, of course, there are exceptions. A statement of that sort must be explained.

Mr. HANCOCK. A proper location and improved housing would make them feel as though they were again a part of society?

Dr. FISHER. Yes; that is correct. These people who have come out of the slums of London and who are now living in Beacontree with beautiful back gardens and front yards are competing for prizes in keeping their gardens. It seems to me we have a responsibility as a Government—and I am speaking personally—for bringing about that improvement in housing conditions, with which comes independence and a feeling of responsibility, a feeling of doing, striving, and responsibility.

Mr. WILLIAMS. To what extent and how are these projects subsidized in England and other countries?

Dr. FISHER. In England there has been a series of subsidy acts, but generally speaking they have provided that the central government will contribute a certain amount direct toward the carrying charges and the cost of operation of these properties. There have been two types of subsidies given in England since 1919. One is a subsidy which is designed to assist private enterprises in providing houses. England faced a tremendous housing shortage at the end of the war with an increase in the marriage rate, and the establishment of families, a number of whom had been living with their parents during the war. The first type of subsidy, then, was designed to assist private enterprise in building houses. That was an annual subsidy. The central government simply contributed to the local authority and it in turn, passed it on to the builder or owner. That is one type of subsidy.

The other is a subsidy to local public housing authorities, principally municipalities. That is a subsidy which is given to enable the authorities to meet all of the carrying charges, service, and the operating costs and still rent their properties at a reasonable rent. That subsidy is given only if the local authority contributes.

Mr. WILLIAMS. What percent is subsidized, what percent of the rent?

Dr. FISHER. I have not figured that in that way. The rents will average about 12 shillings per week per family in the subsidized houses.

Mr. WILLIAMS. Let us have that in dollars.

Dr. FISHER. That is approximately $3 per family per week.

Mr. HANCOCK. That depends a great deal upon the character of the construction, too.

Dr. FISHER. It does, yes, sir; and I was speaking very broadly. The local authority must make a contribution or sustain a loss which is equivalent, as I recall it now, to about half of the subsidies which the central government gives.

Mr. MCGRANERY. Dr. Fisher, as well as your studies abroad, you have made a very deep study of the situation here in our own country?

Dr. FISHER. For a number of years before I came with the Federal Housing Administration, I was professor of real estate in the University of Michigan, and interested myself in housing problems; yes, sir.

Mr. MCGRANERY. What has been the number of tenements demolished in New York——

Dr. FISHER. I cannot answer that, sir; I do not remember the figures.

Mr. MCGRANERY. That is, in the past 3 years?

Dr. FISHER. I cannot remember.

Mr. MCGRANERY. You do not remember?

Dr. FISHER. If the Tenement Housing Commissioner or the Chairman of the Housing Authority were here he could answer that.

Mr. MCGRANERY. As a matter of fact, it was well up in the thousands, was it not?

Dr. FISHER. It has been rapid in the last 2 or 3 years.

Mr. MCGRANERY. Doctor, aside from this financial situation, do you have any figures which would indicate the number of deaths that might be directly traceable to slum conditions?

Dr. FISHER. No; I do not think that any figures that I could give you on that, or that are available, would answer that question directly. The death rate in our slum areas is very much larger than it is in other areas. However, I cannot quote exact figures on that offhand. Our Public Health Service recently summarized that information in a bulletin. However, the death rate is much higher in the slum areas than it is in other areas in all countries. However, the death rate cannot be directly attributed solely to housing conditions. It is poverty, disease, and all of the circumstances in which a family finds itself because it is undernourished, underhoused, and so forth, that create or cause the high death rate we have in our slums. May I add, further, that, as I remember it, the figures on the families that were moved out of the slum areas of London into Becontree indicate that the death rate fell about nearly 50 percent after they were moved to Becontree.

Mr. MCGRANEY. One other question, Doctor. Are you familiar with the situation in Philadelphia?

Dr. FISHER. Not in any detail, sir.

Mr. GIFFORD. There is a provision in the bill for demonstration projects, which provides that the Authority may develop and administer low-rent housing and slum-clearance demonstration projects to demonstrate to localities the benefits to be derived therefrom. It also provides that not more than one demonstration project shall be commenced in any one locality, and that the total estimated development cost of all such projects commenced in any one fiscal year shall not exceed $25,000,000. Is that going to remain in the bill?

Mr. MCDONALD. I have not heard it discussed.

Mr. GIFFORD. Have we had any successful demonstrations yet of that sort?

Mr. MCDONALD. I think so; yes.

Mr. GIFFORD. Resettlement demonstrations you think have been successful?

Mr. McDONALD. I am not familiar with the Resettlement Administration.

Mr. GIFFORD. The general public seems to be familiar with them.

Mr. McDONALD. I am not as familiar with them as I am with some of the P. W. A. projects.

Mr. GIFFORD. What is that Harvard project in Boston?

Mr. McDONALD. A P. W. A. project.

Mr. GIFFORD. A P. W. A. project?

Mr. McDONALD. Yes.

Mr. GIFFORD. But it is for the same thing, the same purpose?

Mr. McDONALD. Yes.

Mr. GIFFORD. $1,000,000 capital stock is to be furnished by the Government out of any funds not otherwise appropriated, and then $25,000,000 additional for these purposes, and then they may issue obligations to the extent of $200,000,000 the next year, $250,000,000 the next year, and $300,000,000 the next year in tax-exempt obligations guaranteed by the Government. I find, Mr. McDonald, in reading this over, that there is not so much care exercised in saying how they lend money. Can one of these housing authorities mortgage to the limit with a private bank or some individual lender, and then could they get the balance from this fund?

Dr. FISHER. Under the bill as I read the bill they could.

Mr. GIFFORD. They could?

Dr. FISHER. Yes, sir.

Mr. GIFFORD. They could mortgage to the limit. They could reimburse the municipality on the cost of condemnation proceedings, even where there is no value, but an actual expense in condemning and tearing down, they could pay that, and then they could hold that mortgaged property, and then they could furnish them money even for the equity only, and then they could watch it go down and down under the treatment accorded it by the local authority under some conditions, and then they would finally have to foreclose and take it?

Dr. FISHER. Subject to the mortgage.

Mr. GIFFORD. Subject to that mortgage always?

Dr. FISHER. Yes.

Mr. GIFFORD. And if the mortgagee wanted to foreclose on the property and take it the housing authority might or might not think it would be of advantage to buy it. This is a large sum of money guaranteed by the Government and tax exempt as usual. There does not seem to be anything about this bill at all, as usual, that all other amounts shall be subservient to the Government, but you pay the cost of the condemnation proceedings to start, and then just simply take care of the equity subject to any mortgage. I think that thing ought to be pretty carefully studied and some protection given.

Mr. McGRANERY. Doctor, on the question of juvenile delinquency, is there an improvement, or is the ratio of delinquency greater in these new areas or these new projects?

Dr. FISHER. I have not seen the figures recently on that, Mr. Congressman, but I believe I am perfectly safe in saying that the reduction in the delinquency rate has been very large.

Mr. McGRANERY. Has been large?

Dr. FISHER. In every case; yes, sir.

Mr. McGRANERY. Now, then, Doctor, with respect to the Federal aid, do you feel that the cities or State governments or any of the subdivisions of the State governments would take care of this situation financially itself?

Dr. FISHER. Congressman, I hesitate to answer that question, but I shall give you my personal opinion. I think there are many municipalities, local and government agencies, who can make a large contribution towards the solution of this problem. However, I do not believe we will get a general housing improvement in this country unless the Federal Government takes the leadership. I think that, as time goes on, we shall transfer more and more responsibility to local authorities as they get on their feet, as they learn how to do the job, and as they get public support, which is necessary to a long-range, permanent, comprehensive improvment of housing conditions, such as we ought to have a right to look forward to in this country.

Mr. McGRANERY. What do you think of Mr. McDonald's statement, that if these subdivisions of the commonwealth made the improvements themselves, where he used as an illustration the city of Cleveland, that if they went ahead and had a slum clearance program that slum dwellers from other communities would move in there and occupy those slum areas?

Dr. FISHER. Well, I should not only support Mr. McDonald's statement, but I think I should go further and add that the ill-effects of bad housing conditions are not confined to a single community.

Mr. McGRANERY. Therefore, you feel that if there is a program it must be broad enough to cover the entire situation?

Dr. FISHER. I feel that we shall miss a great opportunity if we do not make it large enough to cover the whole country; yes, sir.

Mr. McGRANERY. Then, in doing that, it can only be done through a central agency?

Dr. FISHER. I do not know that I would quite agree completely with your statement. It depends somewhat upon what you have in mind. I do not believe that it has to be done from here, any more than I think our program for better roads during the last two or three decades had to be done here in Washington. It was done from Washington, and the standards for those roads were set up in Washington, but it was done out in the field.

Mr. McGRANERY. How would you handle it, Doctor, if Cleveland, Boston, Chicago, and some other cities initiated a program, and Philadelphia, St. Louis, and New York, with perhaps greater slum districts existing there, did not?

Dr. FISHER. They did not?

Mr. McGRANERY. Yes; they did not.

Dr. FISHER. I do not think I should do anything about it. If these communities have not enough interest in their own problems to take some action, it would seem to me that the Federal Government would be justified in taking the position of not doing anything about it, as we do nothing about roads, unless public interest gets to the point where a State or county comes to the Federal Government and says, "Here, we want to build some roads, help us."

Mr. McGRANERY. Then you feel the Federal Government should do nothing at all for those people?

Dr. FISHER. No, sir, I do not mean to infer that at all, by any means. I believe the Federal Government should take a very strong position of leadership in improving housing conditions. I think this bill offers an opportunity for that; but I do not believe the Federal Government should attempt to force a community into taking action, but should be ready to assist a community when it is ready to take action.

Mr. MCGRANERY. This bill would practically force them to take that action?

Dr. FISHER. I do not so read the bill.

Mr. MCGRANERY. You do not?

Dr. FISHER. No.

Mr. MCGRANERY. What would you say about your demonstration projects: "The Authority may develop and administer low-rent-housing and slum-clearance demonstration projects in order to demonstrate to localities the benefits to be derived therefrom." What would you take that to mean?

Dr. FISHER. That section provides further that it shall be only with the consent of the local governing body.

Mr. HANCOCK. That is correct.

Mr. WILLIAMS. I think you are right about that provision in the bill, Doctor. You have expressed the opinion that the localities ought to at least make a contribution to this subsidy. I will ask you if that is the practice in all of the foreign countries where you have studied the situation?

Dr. FISHER. I recall offhand no country in which there is an exception.

Mr. WILLIAMS. In other words, all the foreign countries that have engaged in low-cost housing projects have required the localities to make contributions?

Dr. FISHER. So far as I can recall, sir. I may be mistaken in connection with one or two countries.

Mr. WILLIAMS. Anyhow, that is the practice as far as you know?

Dr. FISHER. I believe so; yes, sir.

Mr. WILLIAMS. And that is, in most cases, a substantial contribution, is it not?

Dr. FISHER. Yes, and it has become an increasingly substantial contribution as time went on. I think I expressed the opinion a moment ago that it was becoming more so.

Mr. WILLIAMS. You described the subsidy in England. How is the original project financed in England?

Dr. FISHER. In those public projects?

Mr. WILLIAMS. Yes.

Dr. FISHER. The public housing projects are financed by loans issued by the local municipal governments, the local governing body, on their general faith and credit, or by loans secured by the local governing bodies from the Public Works Loan Board, which is the general Government agency that makes loans direct to local government agencies. But they all have behind them the full faith and credit of the local governing body.

Mr. WILLIAMS. In other words, the locality, the municipality, the local governing body, whatever it is, stands full financial responsibility for the financing of the project to start with?

Dr. FISHER. Yes, sir.

Mr. WILLIAMS. Whether they get a loan from the Government or whether they raise it by their own loans?

Dr. FISHER. Yes, sir.

Mr. WILLIAMS. It is held to full and complete financial responsibility to the central Government?

Dr. FISHER. I think your analysis is correct, sir.

Mr. TRANSUE. What percent of the populations of the large cities dwell in slums?

Dr. FISHER. In this country?

Mr. TRANSUE. In cities like New York, Philadelphia, Boston, and Detroit, is there approximately the same percentage in all of these cities that are what we would call slum dwellers, that dwell in slums?

Dr. FISHER. I cannot give you any statistics on that, Mr. Congressman, because we have no definition of a slum, drawing a ring around it and saying that it is a slum.

Mr. TRANSUE. What is a slum in your definition?

Dr. FISHER. I think the definition contained in the bill is adequate. That is, an area in which the conditions are such that living in those areas is insanitary and detrimental to the health and public welfare.

Mr. TRANSUE. Those are found particularly in large cities?

Dr. FISHER. Yes, sir; and I think the extent and number of our population who live in such areas varies greatly from city to city, and from section to section, in various parts of the country.

Mr. TRANSUE. In most of these large cities they have been in existence for quite some years; is that not right?

Dr. FISHER. Yes, sir.

Mr. TRANSUE. And what has been done by the various municipalities in this country to eradicate those slums of themselves?

Dr. FISHER. Speaking broadly, and very generally, and there are many notable exceptions, relatively little has been done.

Mr. TRANSUE. And it is your opinion, though, that some responsibility should be exercised by the municipality or the locality itself in the eradication of these slums?

Dr. FISHER. Yes, sir; that is my opinion.

Mr. TRANSUE. What portion of that responsibility should be exercised, or be made to bear to start out with?

Dr. FISHER. You mean financial responsibility?

Mr. TRANSUE. Yes.

Dr. FISHER. In my opinion, that is a matter which Congress should determine. I think it should be a portion which is sufficient to make them really concerned with keeping the costs down and handling the project successfully, and it should be so little as to induce them to get into the program.

Mr. TRANSUE. In other words, they have not done much about it up to now, and if the municipalities do not have to contribute something into this themselves we will have to carry the thing through for them, we having to supervise these slum-clearance projects. Is that logical?

Dr. FISHER. Yes, sir; I think that is logical. However, expressing my own view of the matter, I should have to add a few words to what you have said. In my opinion the public housing program, or a program of housing improvement, such as I believe is contemplated by the authors of this measure, is a very long-range one, which will

be successful in the end only if it rallies to its support very strong public opinion. I believe that the place for public opinion to rally around such a program is in the local communities.

Mr. TRANSUE. Where the slum is?

Dr. FISHER. Yes, sir; where the slum is.

Mr. LUCE. May I ask you a question bearing upon something that you said? In reading the report of the Senate hearings I observe commendation for what Sweden has been doing. Now, Sweden has very closely the same population as the State of Ohio. Will you tell me why you think the State of Ohio could not do what Sweden has done?

Dr. FISHER. There are a great many reasons, Mr. Congressman, I think. One reason I think is that the entire sovereign power, of course, resides in the Government of Sweden; while the State of Ohio shares some of its sovereign powers with the Government of the United States. And Sweden is also a more homogeneous State.

Mr. LUCE. Than Ohio?

Dr. FISHER. Yes, sir; than Ohio. It is influenced less by economic conditions and changes beyond its borders than is the State of Ohio. Ohio is influenced by economic conditions in Pittsburgh, which is just across the line from Ohio. In other words, the economic relationships of Sweden are much more self-contained than are the economic relationships of the State of Ohio. The political relationships are, of course, almost entirely self-contained.

Mr. LUCE. That bears on the reason why you might not do it, but I would like to know why you could not do it.

Dr. FISHER. I am not prepared to say that the State of Ohio could not do it. There is one element in the picture in Sweden which does not exist in the State of Ohio, and which does not, generally speaking, exist in our whole country. That is the great background of self-improvement through the cooperative movement, which pervades the entire economic structure of Sweden.

Mr. LUCE. That bears upon the reason why it might not be done, but not why it could not be done.

Dr. FISHER. I am not prepared to say it cannot be done.

Mr. LUCE. Do you attach any importance to the fact that our 48 States are experiment stations and work out these things usefully by separate treatment? As, for example, in the Workmen's Compensation Act, it has been polished up, so to speak, by the various States themselves.

Dr. FISHER. I think that is one of the distinct advantages of the form of government that we have, that social legislation, and other types of legislation can be perfected in that way.

Mr. LUCE. Has it occurred to you that this particular type of legislation might be better perfected by State experimentation?

Dr. FISHER. I have no doubt that it could be done so. Of course, we have a history of legislation for over 10 years in the State of New York in connection with housing improvement.

Mr. LUCE. There seems to be a tendency to discard the usefulness of State experimentation, and this bill strikes me as carrying it to an extreme. I wondered if it might not deserve some recognition?

Dr. FISHER. I would not express an opinion on that, because I have not thought about it.

Mr. KENNEDY. In connection with the financing of the housing situation in the European countries that you studied, I just wondered whether or not there might be some explanation, or that maybe your study might have developed it, that they might justify the conclusion that the Federal Government ought to contribute more to this proposed development than is the case of the central governments of the European countries, and I have this thought in mind: Take the city of New York as an example. It probably pays into the Federal Treasury a greater amount of money than many of the entire States of the Union. In addition to that, it is required to care for its contribution to the State machinery of the State of New York. I am just wondering whether or not the municipalities in European countries are not better equipped by reason of the fact that they are able, under their taxing system, to retain more of the taxes paid by their particular population than is the case in the city of New York as it relates to the Federal Treasury here. Did your study go into that, Doctor?

Dr. FISHER. No; I cannot answer that question.

Mr. KENNEDY. Do you think that would have considerable bearing on it?

Dr. FISHER. Yes; I think that would have considerable bearing on it; but I think the primary consideration with respect to the contribution which the Federal Government should make currently is the question of how seriously Congress takes this problem and its opportunity to make a contribution to our welfare.

Mr. KENNEDY. I have no quarrel with that, but what I am seeking to find out or differentiate from your statement is whether you want to go on record here to the effect that the municipalities had a greater responsibility than, perhaps, the bill here would place upon them, that they ought to make a contribution equal to what the Federal Government should make?

Dr. FISHER. 10.90?

Mr. KENNEDY. Anything; 5.95?

Dr. FISHER. Yes——

Mr. KENNEDY. And what I am wondering about, in connection with your rather serious study of the problem, is if you have given any thought to the question I have raised as to the parity of New York in its relation to contribution of all taxes, Federal, State and local, as against London, for instance?

Dr. FISHER. No; I have not studied the problem.

Mr. KENNEDY. Whether London, for instance, retains more of the amount of money its citizenship pays to the taxes of the general central government, and on this theory that would have some major effect as to what your opinion would be as to whether or not the Central Government in England should contribute more or the Federal Government here should contribute less to this problem?

Dr. FISHER. Congressman, I do not mean to give the impression that I think our Federal Government should contribute less or more.

Mr. KENNEDY. I took it for granted that you did.

Dr. FISHER. No, sir; I did not mean to give that impression, but simply the impression that, in my opinion, the local governing bodies should make a contribution. What that should be I have no judgment better than yourself or anybody else.

Mr. HANCOCK. Just one further question: You are familiar with the financial provisions of this bill, are you not?

Dr. FISHER. Yes; I have studied them.

Mr. HANCOCK. Over a period of 60 years what would be the relationship or the ratio, say, of loans to grants, or grants to loans? In other words, what would be the maximum amount that the Government could be called upon to contribute in the way of grants over a period of years, based upon loans of $700,000,000, as provided in S. 1685, or in our bill, as provided in H. R. 5033?

Mr. FISHER. I have not computed that recently. When that bill was introduced, I did compute it, but I have forgotten what the figures are. I did not bring them with me today.

Mr. HANCOCK. There has been a suggestion made, and I have not yet had an opportunity to digest it and analyze it, that under the provisions of either one of these bills it would be possible for the Government to contribute $1 plus for every dollar loaned. Does that sound reasonable?

Dr. FISHER. I made one calculation when the bill was introduced—and a number of provisions have been changed by the committee of the Senate—but when that bill was introduced I made some calculations which indicated that if the maximum grant were made for the maximum period of 60 years——

Mr. HANCOCK. Yes; that is what I have in mind.

Dr. FISHER. The total grant at the going Federal rate of interest would have a present net worth that is somewhat in excess of the total loan.

Mr. HANCOCK. That is what I had been told——

Mr. CRAWFORD. What would be the situation if we went into this program, as set forth in the Senate bill, and we would go through either a 3- or 4-year program, and spend forty or fifty million dollars building these houses, and then following that we headed right straight into a big financial depression, and the people could not pay their rent, would the Federal Government have to put up the deficiency under the grant provisions of the bill?

Dr. FISHER. It seems to me they might have to; but I have not considered that.

Mr. CRAWFORD. That would have a material bearing, would it not, on the question just raised by Mr. Hancock?

Mr. HANCOCK. They could not, under any condition, exceed the maximum prescribed in the bill.

Dr. FISHER. That is correct.

Mr. CRAWFORD. It would carry the property, would it not?

Dr. FISHER. That is what I had in mind when I answered that the Federal Government would probably face the alternative of taking over the properties. However, I have not given that careful consideration.

Mr. KENNEDY. Over in Sweden and England in these housing projects, is it not a fact that all of the tenants are either Englishmen or Swedes, as the case may be? In London are they not all natives?

Dr. FISHER. In Sweden I think there is a very high degree of homogeneity of population.

Mr. KENNEDY. I mean the tenants are all of Swedish origin?

Dr. FISHER. Yes; the tenants are of Swedish origin.

Mr. KENNEDY. And in England the same thing is true, is it not?

Dr. FISHER. I just read this week a statement by an eminent English authority to the effect that the English population is not homogeneous.

Mr. KENNEDY. Is it not a fact that in order to get into either a Swedish or an English house you have to be a citizen of that country? Is that not one of the very first requirements?

Dr. FISHER. I would have to look that up.

Mr. KENNEDY. For instance, you cannot compare that with our situation. We have built very beautiful houses up in Harlem, and you as a white man could not get into one of those houses. They are all reserved for colored people. Over in Brooklyn I do not know what the situation is going to be, whether colored are going to be excluded from them or not, but do you not think that our problem is so different from that abroad that it draws a very sharp line of distinction?

Dr. FISHER. I think the experience of the European countries has to be used with a great deal of care in this country because of the lack of homogeneous population, similar customs, and backgrounds, different people, and so forth.

Mr. LUCE. Suppose the house manager decides that you are not the right type of tenant. Have you any right of appeal, or do they just send you away at will?

Dr. FISHER. You have an appeal to the properly constituted authorities which, for the most part, or in most places in England, consist of the director of the housing committee of the city council. You have a right to appeal to that committee.

Mr. LUCE. But within certain rules you have a right to appeal?

Dr. FISHER. Yes; that is right.

Mr. MEEKS. Mr. Chairman, I have some questions.

The CHAIRMAN. Mr. Meeks.

Mr. MEEKS. How many countries did you make investigations of in relation to this problem?

Dr. FISHER. Including last summer and previous visits, I have been in 12 countries.

Mr. MEEKS. Those are all under different forms of government from ours?

Dr. FISHER. Some of them are.

Mr. MEEKS. Some of them are very much different?

Dr. FISHER. Yes; some of them are very much different.

Mr. MEEKS. Can you give me a statement about the regulations of occupancy of these buildings, what it is necessary for the occupants to do, and so forth? It is practically a police system, is it not?

Dr. FISHER. No, sir; the regulations are generally very reasonable.

Mr. MEEKS. There is more police supervision in those countries than here?

Dr. FISHER. Yes, sir.

Mr. MEEKS. As to this bill we have before us, what benefit do you think it would be to cities of 25,000, 40,000, or 75,000 people?

Dr. FISHER. I think there might be a great many communities of that size which would benefit from the bill.

Mr. MEEKS. There might be?

Dr. FISHER. Yes.

Mr. MEEKS. I am not interested in the general effect upon the individuals occupying these areas. However, they are important.

You know, in our large cities we have what we call undesirable elements of population. In some cities, at least, they segregate certain classes of people, do they not?

Dr. FISHER. In Europe.

Mr. MEEKS. Well, in this country, if not by law or by ordinance, by public sentiment and custom; is that not true?

Dr. FISHER. Yes, sir.

Mr. MEEKS. You go into those areas and build. Now, what becomes of those people? You do not allow them to keep their houses, do you? For instance, red-light inhabitants, what would you do with them?

Dr. FISHER. I am afraid that many of those would be scattered.

Mr. MEEKS. Over the city?

Dr. FISHER. In other sections of the city.

Mr. MEEKS. Throughout other sections of the city?

Dr. FISHER. Yes.

Mr. MEEKS. But the purpose of the bill is not, in any sense, to provide them with better homes, is it?

Dr. FISHER. I do not think so.

Mr. MEEKS. So that we have the same problem remaining that we have right now with reference to them, have we not?

Dr. FISHER. We will always have.

Mr. MEEKS. They will continue, isn't that correct?

Dr. FISHER. Yes, sir.

Mr. MEEKS. We will have to deal with them in some other way?

Dr. FISHER. We cannot solve all those problems in this bill.

Mr. MEEKS. Do you think they will scatter among the remainder of the population?

Dr. FISHER. To some extent; yes.

Mr. MEEKS. To a large extent?

Dr. FISHER. Yes; to a large extent.

Mr. MEEKS. You cannot block them?

Dr. FISHER. No; you cannot drown them.

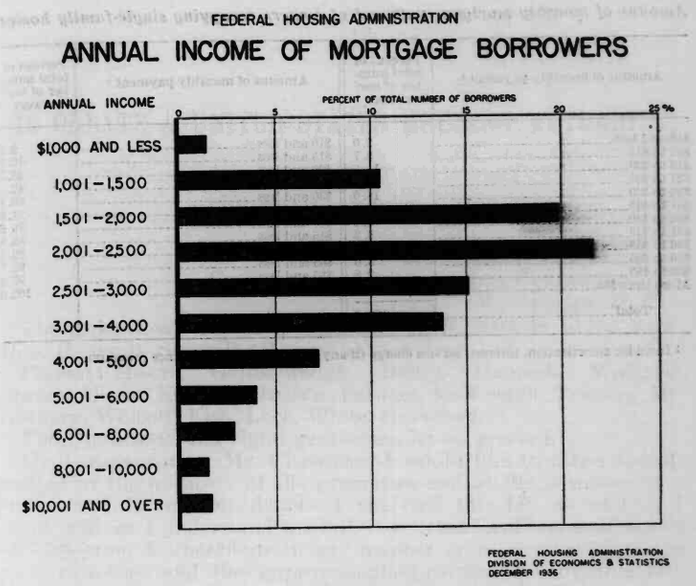
Mr. MEEKS. I think myself that is true.

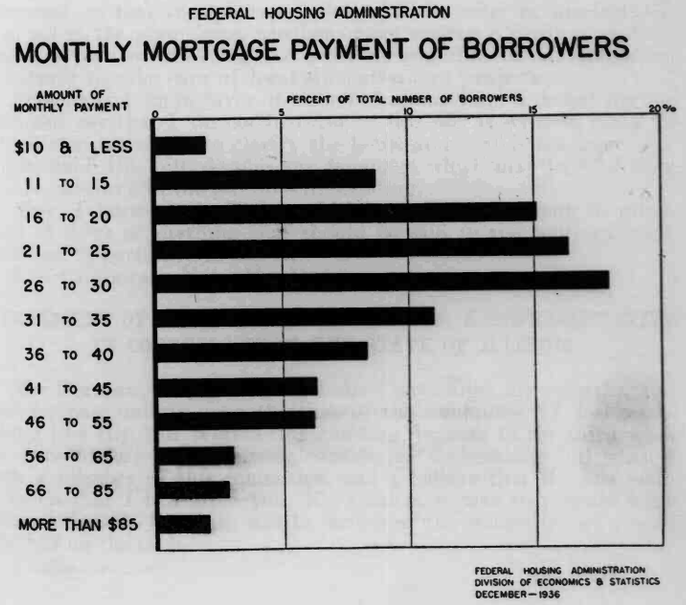
The CHAIRMAN. The Committee will recess until tomorrow morning at 10:30.

(Thereupon, at 4:50 o'clock p. m., a recess was taken until tomorrow, Wednesday, August 4, 1937, at 10:30 a. m.)

Annual income of owners occupying single-family homes

Annual family income	Percent of total number of borrowers	Annual family income	Percent of total number of borrowers
$1,000 and less	1.5	$1,000 and less	1.5
$1,001 to $1,500	10.5	$1,500 and less	12.0
$1,501 to $2,000	19.9	$2,000 and less	31.9
$2,001 to $2,500	21.7	$2,500 and less	53.6
$2,501 to $3,000	15.1	$3,000 and less	68.7
$3,001 to $4,000	13.9	$4,000 and less	82.6
$4,001 to $5,000	7.3	$5,000 and less	89.9
$5,001 to $6,000	4.1	$6,000 and less	94.0
$6,001 to $8,000	2.9	$8,000 and less	96.9
$8,001 to $10,000	1.5	$10,000 and less	98.4
More than $10,000	1.6	All groups	100.0
Total	100.0		





Amount of monthly mortgage payment of owners occupying single-family homes

Amount of monthly payment [1]	Percent of total number of borrowers	Amount of monthly payment [1]	Percent of total number of borrowers
$10 and less	2.0	$10 and less	2.0
$11 to $15	8.7	$15 and less	10.7
$16 to $20	15.0	$20 and less	25.7
$21 to $25	16.4	$25 and less	42.1
$26 to $30	18.0	$30 and less	60.1
$31 to $35	11.1	$35 and less	71.2
$36 to $40	8.4	$40 and less	79.6
$41 to $45	6.3	$45 and less	85.9
$46 to $55	6.2	$55 and less	92.1
$56 to $65	3.0	$65 and less	95.1
$66 to $85	2.8	$85 and less	97.9
More than $85	2.1	All groups	100.0
Total	100.0		

[1] Includes amortization, interest, service charge (if any), and mortgage insurance premium.

TO CREATE A UNITED STATES HOUSING AUTHORITY

WEDNESDAY, AUGUST 4, 1937

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee resumed hearings on H. R. 5033 at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Goldsborough, Reilly, Hancock, Williams, Spence, Meeks, Kennedy, Brown, Patman, McKeough, Transue, McGranary, Wolcott, Fish, Luce, White, Crawford.

The CHAIRMAN. All right, gentlemen, let us proceed.

Mr. GOLDSBOROUGH. Mr. Chairman, I would like to direct the attention of the members of the committee and of the witnesses to a statement left on their desks. I analyzed this bill as well as I could, and, as I understand the bill, it relieves local communities of all obligation to contribute in any manner or to any extent to the slum clearance and the improvements provided for by this bill. In other words, the entire cost is to be borne by the Federal Government, so that the question arises, and the issue is, insofar as I can get it, the plain issue, whether or not society is ready to embark upon a plan of relieving the local communities of all obligation whatever to take care of local slum-clearance projects.

Personally I am in favor of a slum-clearance bill. I do not for one moment say that I am not in favor of this bill as written, but I do think that we ought to clarify the issue, and that is the issue as I understand this bill, despite any language which may be confusing to the contrary in the bill notwithstanding.

Now, I hope that witnesses will have that statement in mind, and if there is anything that should be said to the contrary, they have an opportunity to say it.

The CHAIRMAN. Now, Mr. Dirksen, you may proceed.

STATEMENT OF HON. EVERETT M. DIRKSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. DIRKSEN. Mr. Chairman, I shall streamline my remarks, and not trespass unduly upon the time of the committee. I feel something like Rip van Winkle this morning, because in the third week in June of last year, we were considering the housing bill when I was a member of this committee, and I believe that the last commission that I had from you, Mr. Chairman, was to prepare some amendments to that bill, and by action of the committee we placed the bill on the table.

So we are back to determine two questions, first of all, if we wish a housing bill and, secondly, what kind of a bill. I favor the housing principle, and I favor some kind of a housing bill, and certainly as we check up our efforts in that field, they do not bring forth any degree of pride, particularly on the part of those who administered some of these housing jobs. Our efforts thus far have been confined, I take it, first of all to P. W. A. large-scale housing that look like Harvard dormitories at considerable cost.

The subsistence homesteads matter, which was presented in full to the Subcommittee on Appropriations, of which I have the honor to be a member, and where they are renting today for $17 a month over here in Arthurdale, W. Va., and which cost the Federal Government something like $9,000, and on which we are losing about $4,000 apiece. In addition thereto, the Resettlement activities, such as at Greenbelt, which under the testimony before our subcommittee cost approximately $14,000 per unit, as I remember, and which are expected to rent for somewhere around $25, $30, or $40 a month after they make concessions for relief labor so as to cut the cost for purposes of rental from about $14,000 to $5,500 or $6,500—I say, those experiences make one think that those are rather poor ventures that we have had in the field of housing.

But I have the idea that something must be done in the low-housing field, for two reasons. In the first place, there is still a great unemployment lag in the construction industry, and, secondly, there have been demolished and razed by fire in the country, more houses than the number built, and, in the third place, people are getting married and still raising families and are still in need of shelter. Whether we are in need of a million units or ten million units is quite beside the point.

I am satisfied that we do need housing. There is a lag in the construction industry, and if you want any proof of that without going into a lot of figures, just look at the monthly index of the Federal Reserve Bulletin from month to month, and you will find that the construction index is about one-half of what it was in the years 1926 to 1929. And when I go back to my home town, of a little more than 18,000 people, I find the same thing. We made a survey of the number of people out of work, and we found that in the last year or two among our industries, such as Fleischmann Yeast, the Corn Products Co., and others, that they were operating at an index equivalent to or in excess of 1929, and yet we have 1,800 people out of work in that own of approximately 18,000 people. We found that most of them at one time or another had been identified with the construction industry, such as carpenters, bricklayers, plasterers, and so forth, and had left it because they had no normal building activity in that area. The fact remains, and I think it is an inevitable conclusion, that a good deal of our unemployment today is chargeable to the lag in the construction industry.

When Mr. Hopkins came before the Appropriations Committee, he said that we would continue to have unemployment and estimated the permanently unemployed at 5,000,000. I do not agree with that, and when we have to confess our failure along that line, in the light of the genius and the enterprise of this country, that we have to have five million people out of work, it is an abysmal

confession to make to the country. We can cure it in part by a well-timed housing program, and I am in favor of it.

In connection with demolition, I have examined the figures for Chicago, New York, San Francisco, and other places, and it is amazing to me the number of housing units that have been destroyed in relation to the number that have been built. It is easy to see that there is a lack of housing in this country for the people in the lower income brackets.

As we approach the housing problem, we talk so much in terms of comparison with what has happened in Norway, Sweden, Great Britain, and elsewhere. I think that we ought to forget about their experiences, because they certainly are not on all fours with the kind of experiences that we must have here. First, they do not have a dual sovereignty over there. Secondly, they do not have a due process clause in a written constitution, and it gives them greater freedom, flexibility, and latitude of action. If we are going to have a housing program, we ought to forget what is going on in the old country and try to resolve it in a characteristically modern, American manner.

The first objection that we hear to a housing program is money. You cannot have housing without money. You cannot build battleships without money. You cannot build and maintain schools without money. You cannot have parks without money, and if you are going to have housing, you have to resign yourself to the fact that it costs money.

The CHAIRMAN. You have not heard much objection to spending any money on battleships?

Mr. DIRKSEN. No; and about $969,000,000 is the joint account for the Army and the Navy, according to the fiscal appropriations for 1938. If you consider that many millions of dollars in terms of $4,000 houses, you can build enough houses to house people in the city of Peoria eight times over.

Mr. FISH. I am sorry that I did not hear the rest of your statement, but you just mentioned $4,000 houses. Have you expressed any preference in this building program between building individual family houses, say, at $4,000, and these so-called apartments, three- and four-story apartments, or beehives? Have you expressed any opinion as to a preference between those two?

Mr. DIRKSEN. Not yet; but if you will permit me, I will probably get to it in just a little while.

Mr. FISH. You will answer the question?

Mr. DIRKSEN. Yes; I will answer it; but I want to proceed in rather orderly fashion.

So it is going to cost money. There is no question about it.

Now, the second objection was, if we get into the housing enterprise, it will be in competition with private business. I think that that can be met. I was interested in the report of the Julius Rosenwald Foundation of Chicago. They have been engaged in housing activities up there and rendered a report on the basis of 6 years of experience, and they stated that with every kind of care and caution they still cannot build houses for those in the low-income brackets. That is where private business stops, because they cannot proceed any further than the profit margin, and once that is vitiated, they have to step out of the picture.

Here then is a Foundation for philanthropic and other purposes that has been engaged in housing activities in the city of Chicago, and they make the very formal confession in their report, after 6 years of experience, that below a certain bracket, or for the low-income families, they cannot go.

Now, we can forget those people, or abandon them, or say, "Let them look out for themselves;" or we can recognize them and say, "Here is a field that private enterprise cannot touch, and in which the Government must set up some kind of an agency.

Now, I favor the principle of housing, and I favor the general pattern of this present housing bill. It is going to cost money, and it is not going to compete, in my judgment, with private enterprise in that field, so that throws us back on the question, if we decide that there ought to be a housing bill, what kind?

In the first place, a housing bill, in my judgment, ought to build houses. That sounds like a very silly statement, but it is not so silly. Look at the P. W. A., at Resettlement, and at Subsistence Homesteads, after all of the hundreds of millions of dollars that we have spent. When one says that a housing bill ought to build houses, it is elemental, and, on the other hand, it is something that you have to keep in mind.

With reference to your question about low-income families, in the first place, the President of the United States has said over and over and over again that one-third of the Nation is ill-housed. If you take that statement at its face value, you can write something in this bill and limit it to the one-third, but the yardstick proposed in this bill today will not do it.

I examined the report on the Hillside apartments in New York. They have 1,200 families there, and they have only 68 families out of 1,200 whose incomes are below the figure set. Now, that probably is true of a great many other set-ups that have been organized, under present housing agencies.

Mr. FISH. What was that statement?

Mr. DIRKSEN. I said that approximately 68 out of approximately 1,200 families in the Hillside apartments in New York, built by P. W. A. and assigned to families of the low-income bracket, were in fact in the low-income bracket for which the apartments were intended, and all the rest of them had aggregate incomes that were in excess of the aggregate income of 1929.

Mr. GOLDSBOROUGH. What was that income?

Mr. DIRKSEN. The average income was $1,500; $1,500 is the amount that the investigating committee found to represent the maximum for those apartments, and 68 were below that line and all the rest of them were above it.

Mr. HANCOCK. Is that $1,500 per family?

Mr. DIRKSEN. Yes.

Mr. MCKEOUGH. For what year?

Mr. DIRKSEN. This year.

Mr. MCKEOUGH. Is that the average income for the American family?

Mr. DIRKSEN. No; but in this particular building.

Mr. FISH. As a matter of fact, I think that you have that low, because the rooms in the Hillside rent for $11 apiece.

Mr. DIRKSEN. I do not know what they are.

Mr. FISH. Or for four rooms, $44 rent.

Mr. DIRKSEN. I have no idea about that.

Mr. FISH. So that is not a low-cost building.

Mr. DIRKSEN. It is so far as the families are concerned.

Mr. FISH. But we are trying to write a bill which will provide housing for $5 or $6 a room, or below.

Mr. DIRKSEN. Now, you translate this factor that you have in the bill in terms of low income, and, as I remember it, it is five times the rent in the case of the low-income families and six times the rent in emergency cases, or, where there are three minors——

Mr. HANCOCK (interposing). Don't you think that you make a serious mistake when you use the term "low-cost housing"?

Mr. DIRKSEN. I think you do. Look at it in this light. Let us take a place that rents for $20 a month. This definition includes heat, light, fuel, water, and cooking fuel. You add about $2 for light; you add $1 for water, and that would be $23. You add about $8 for fuel, and that would be $31, and $2 for cooking fuel would make it $33. Multiply that by 12, and that is $396 a year, and then multiply it by the factor 5, and then you will be up to $1,980 under this bill, and in emergency cases multiply by 6 and you are up around $2,200 or $2,300.

If, therefore, you articulate the theory that is set forth in this bill, you are not going to hit the one-third. You are going to get into families with $1,900 of income, and in the case of three minors, to families with $2,300 of income, and then you are setting up a housing bill which, according to the figures of the Brookings Institution, is applicable almost to 90 percent of the families in America.

If you are going to restrict these activities to low-cost housing, or to families in the low-income brackets, why not write a very definite standard into the bill, or why not set a definite limit, or why not say that it is to apply to those in the lower one-third that the President had in mind when he talked about one-third of the country being ill-housed. If you seek to translate it in the language of your bill, you will make it available to almost 90 percent of the country, and then the Federal Treasury would not be capacious enough to take care of it.

Mr. HANCOCK. What do you think of the term "lowest income group"?

Mr. DIRKSEN. Can you not find language that will restrict it properly and be a standard for those who must administer it? And why can you not set out something definite by way of a yardstick? I think it is necessary, because if you do not, you will have to fall back upon questions of interpretation of language, and then you will be all over the lot and you will dissipate the good effects that might be achieved under a housing bill.

Mr. MCGRANERY. What would you suggest?

Mr. DIRKSEN. Frankly, I did not come here with any hard-and-fast language in mind, and I will not make any suggestion, because, after all, when you get into executive session, you will discuss $1,00(or $1,200 or $1,500 or some other yardstick, and I prefer to leave that matter to the committee. But I did want to point out that under the theory of this bill, you are going to apply it to so many families in the United States of America that I think it is going to hurt the bill, and there will be great difficulty.

I understand that there is an effort again to put capital grants into the bill, that is, lump-sum grants, so that whole projects will be charged off on completion, instead of sticking to the theory of uniform annual contributions as a kind of rent subsidy. In the light of our experience with subsistence homesteads, Resettlement, P. W. A., and all the rest, we would make a frightful mistake, in my judgment, if we undertook to do so.

Mr. GOLDSBOROUGH. That is exactly what this bill does, too.

Mr. DIRKSEN. Yes. I am afraid of those capital grants in that form.

Mr. WOLCOTT. This bill does not do that, but there is an appropriation of $26,000,000, and then the bill is earmarked as to about $22,500,000, so that that does not leave much.

Mr. FISH. Does not the amendment in the Senate cure that?

Mr. DIRKSEN. It was proposed in the Senate, but I do not know whether that amendment has been accepted or not.

Mr. GOLDSBOROUGH. Can you find any provision in the bill that it has to be repaid?

Mr. DIRKSEN. I am afraid not. I think that you have to draw a distinction between a capital grant applied to completion cost of a project and uniform rental subsidies. The former is charged off in a lump sum which is poor policy. But if we go in for subsidies and annual contributions, we still exercise some measure of control, and, secondly, you do not charge it off in any one year. You amortize it over a long period of time. Then too you are dealing with commercial values. It is not dealing with, say, a post office, where that is all that it is good for. You can apply capital grants to public buildings, but not to commercial property without excessive cost.

That brings us to the question of amortization. You remember that we discussed that at great length last June when we discussed the housing bill, and I talked to Mr. Jones, the Chairman of the Reconstruction Finance Corporation, about it, and he said that that amortization period was entirely too long. I have not talked with him recently, but I was persuaded that it is entirely too long. You can get at it inversely in this fashion: This is meant to amortize over a period of 60 years. Well, let us just go back 60 years from 1937 to 1877, when President Hayes was occupying the White House. That was way back in the day when Chief Sitting Bull was massacreing Custer's forces—almost beyond the minds of this generation. What were houses like at that time? There were no hardwood floors, no hot water, no fancy chandeliers, no parquet floors—nothing like that. Just think of what progress we have made in the field of housing from 1877 to 1937. Look at some of these houses over here in Greenbelt—fine construction, streamlined and modern to the *n*th degree, and it indicates to us that in a period of 60 years the things that might be thought to be fine in 1938 will be hopelessly outmoded and out of date in 1998. There is too great a mobility of people, for one thing; there is a change of standards in housing design, and we are moving so fast that if you try to amortize this over a period of 60 years, you are inviting lots of trouble.

I am not prepared to say to you whether it should be 20 or 30 years, but I know this, that I used to serve as a director of a building and loan association, and we thought that 11 years amortization was pretty long. Now they have pushed it up to 15 years, and under the Home Loan they have pushed it up to 18 years, and some have gone to 20 years, and that is as far as we ought to go. But when you are talking about 60 years, you are talking about an awfully long time in a fluid and mobile world.

So I, for one, would be opposed to the 60-year amortization period.

Mr. HANCOCK. If you shorten the amortization period, you have to do one of two things: Either increase the rents or the Federal Government must put more money into it?

Mr. DIRKSEN. That is true; and that falls right back to what I said, that this will cost money. But may I say that the fact that it may cost a little money is no reason, in my judgment, why Congress ought to turn such a project down.

Mr. CRAWFORD. Will the gentleman yield?

Mr. DIRKSEN. Yes.

Mr. CRAWFORD. I am very much interested in the 60-year proposition from the standpoint of physical disposition as well as these one or two points that you just brought out. It seems to me that if we are going into a program of this kind, it is time that we gear ourselves to the philosophy that these houses are to be built for the purpose of having people live in them, and not to be discarded simply because somebody brings out a new kind of brick. Automobiles are built to run and wear, but we discard them about six months after we buy them, or less, in order to get a new type, a new stream-line body, and I think that a house could be built today that would last 60 years and serve as a pleasant place in which to live.

Mr. DIRKSEN. Mr. Crawford, that is not the question, whether a house will last 60 years. That is quite beside the point. You can build houses that will last 200 or 300 years, and there are a lot of houses up and down the Atlantic seaboard—in Mr. Luce's State, for instance—that are probably well over 100 years old, that are still habitable and that are still being occupied, but while a house might last that long, you are not accounting for the change in public taste.

Mr. CRAWFORD. Do you mean to advocate that we can build houses that people can discard in 15 or 20 years?

Mr. DIRKSEN. No; I am simply stating that the Government has to keep abreast of the vicissitudes of time. You cannot escape that, and we have to adapt governmental methods to that very thing, because, after all, the Government is responsive to the people.

Mr. WHITE. Do you think that this bill should definitely guarantee that this type of policy will be limited to people in the low-income group?

Mr. DIRKSEN. The other alternative is to just open the Treasury wide, and tell them to come and get it for everybody.

Mr. WHITE. You think that it should be very definitely limited to the low-income groups?

Mr. DIRKSEN. Yes. Socially we recognize those people that have been distressed and in poor circumstances because of difficulty, because they have not been able to adapt themselves or they have been less fortunate than others in society, and they ought to be the object of the solicitude of the Government, but for the man who has $1,500 income, or even $1,200, I sometimes doubt whether you can project the Government into looking out for them, because they do not measure up to the terms of whether or not they are in position to provide their own housing. The Government is not a charity enter-

prise. And yet it has to take cognizance of social movements and responsibilities.

Mr. CRAWFORD. We have some other housing projects under other agencies where, after it was all said and done, a family had to have an income of $2,500 or $3,000 before they could afford to pay the rent. You do not think that this bill ought to be that kind of project?

Mr. DIRKSEN. When Mr. Alexander testified, he said that they cost almost $14,000 out here at Greenbelt, and that they are going to knock off about $6,500 and use the residue as a basis for calculating the rent, and then when we chide them about it, they say they are not responsible, because they had to use relief labor. They were built for people in the income brackets from $1,200 to $2,000, not only for Government workers but for everybody, but how in God's name can you justify a $14,000 house for somebody who is in the brackets from $1,200 to $2,000?

Mr. CRAWFORD. Another question. This sets up a housing authority. Don't you think that this bill, if it is going to be adopted by the Congress, should provide that the housing authority should be a bipartisan affair, in order to avoid any possibility of politics getting mixed up in it?

Mr. DIRKSEN. Well, much might be said on both sides, as Mark Twain once said about a bipartisan vote, but I will say this about the board or commission, that I think that these local boards or local housing authorities that you set up, instead of being free agents to an unlimited extent, ought to be made responsible in some measure at least to the local and to the city officials in a town. When I served on the city council, people used to come in, and they would lay their troubles on the doorstep, and we were responsive to the desires and needs of the town. Just as soon as sentiment crystallized in behalf of a cause, there they were, and if the cause was thoroughly sound, we went along. If you have a local housing board that is not responsible to the people or to the city fathers, you will get into trouble.

Mr. PATMAN. Don't you think that we ought to require local contributions in order to get the proper cooperation?

Mr. DIRKSEN. I will say to you that that is one way to get local cooperation.

Mr. HANCOCK. Isn't that the only way.

Mr. PATMAN. Are you in favor of that?

Mr. DIRKSEN. Frankly, I am not prepared to say. I want to say to the committee that it has been a year since I have examined my files on housing, and I have had to reconstruct and readapt my thinking on the subject from time to time, and I do not want to say just now, but I think it is a matter that ought to be considered, so that proper responsibility will be had.

Mr. MCKEOUGH. In the event it was shown that the local community was unable to make a contribution, it is your idea that they should be denied?

Mr. DIRKSEN. I do not believe that they ought to be penalized, because there you are confronted with a hard and fast arbitrary condition over which they may have no control.

Mr. HANCOCK. You have been discussing rather elaborate designs of buildings and layouts which would cost around $7,000 per

four room unit. I understood from the statement made by the mayor of New York, who is an active sponsor of this bill, that he was primarily concerned with durable buildings that will provide sunshine and air. Is it your idea that a type of building of that character and kind would serve the purpose 60 years from now of furnishing sunshine and air?

Mr. DIRKSEN. That kind of design?

Mr. HANCOCK. Yes.

Mr. DIRKSEN. I suppose so.

Mr. HANCOCK. I mean that 60 years from now you would still have a comfortable dwelling and be able to get sunshine and air.

Mr. DIRKSEN. Without doubt.

Mr. LUCE. Simply for the record, unless my eyes deceive me, Senator Byrd yesterday or the day before brought out that the Greenbelt units cost up to $16,000.

Mr. DIRKSEN. I was giving them the benefit of the doubt. There were some charges that one might have added, but I wanted to be charitable about it, and I think that I was very gracious to Mr. Alexander when he appeared before the Committee on Appropriations. I was trying to learn the facts, and I was willing to take his story and also the figures that they put in the record on the second deficiency bill, and I am simply giving the record as it was developed over there.

Mr. LUCE. I think that Senator Byrd may have discovered something additional to bring it up to $16,000.

Mr. DIRKSEN. I suppose so.

Now, I want to say a word about the proposal for demonstration projects in this bill. Here we have had all of these experiences in Georgia, in Illinois, in Kansas, in Maryland and elsewhere that ought to be persuasive enough to the committee as to what will happen if we permit them to go out on these demonstration projects. There are two evil things about it. The first one is that it creates the urge that everybody has. When I used to work in a bakeshop, I never could keep my hands in the dough without wanting to roll up some new thing, in response to that particular urge that everybody has, and you give a few folks an unlimited amount of money, and authorize them to build demonstration projects, and it is the most irresistible lure in the world, and your blood fairly tingles when you think about going out in Maryland and building a beautiful demonstration project, and in that you will articulate all of your notions of streamlining, of design and fine fittings, and the first thing you know, cost gets out of hand, and that is why we got all of those beautiful structures in Greenbelt; they could not resist the lure.

So you provide them with the authority under this bill, and give them the money, and you will have identically the same experience all over again. We do not need any more experimentation. Mr. McDonald's files are filled with data on design and construction, and fireproofing, and cost, and everything else, and the same thing is true of Resettlement—the only trouble with them was that after they got all of the data, they did not apply them. But you give them the authority under this bill for demonstration projects, and you will have that same problem all over again, and you set up the focal point

of criticism, and if we have the same kind of criticism that we have had in the last 2 or 3 years, we will ruin the whole housing question.

Mr. HANCOCK. If we authorize demonstration projects, we are in effect making the United States manager and janitor of the projects?

Mr. DIRKSEN. Yes.

Mr. REILLY. I should think that we have had enough of demonstrations.

Mr. DIRKSEN. Yes. I think that we ought to have a housing bill now that will build houses, by way of novelty, if for no other reason.

I just came here to give you some general observations, because I am deeply interested in the matter, and I am almost regretting now that I am not a member of this committee——

Mr. HANCOCK. We certainly wish that you were——

Mr. CRAWFORD. In your opinion, would this bill give absolute freedom on the part of the Secretary of the Treasury to invest Social Security reserve funds in these bonds to be issue?

Mr. DIRKSEN. That is a collateral matter that I have not gone into at all, and it involves so many ramifications that I won't give a categorical pronouncement that might be of no benefit to the committee. It would be a speculative guess on my part.

Mr. WOLCOTT. The money paid out of the Treasury is raised by giving Treasury notes or other obligations of the Government, and there is not any question but what the Secretary of the Treasury has a right to invest Social Security reserves in those bonds.

Mr. DIRKSEN. I remember in the heat of the campaign, when they were talking about a certain provision, and a lot of literature came to my desk, that I went back and reexamined that provision in the bill, and it seemed that you could siphon these funds out through the instrumentality of bonds. I have not, however, examined it carefully enough to see whether it could be done. My only purpose was to indicate the general pattern, first of all, about demonstration projects and about low-income families, and about uniform annual grants and capital grants.

Mr. WOLCOTT. What I am particularly interested in is incidental, because the controlling influence of this and other bills is that we appropriate money out of the Treasury and the fact that heretofore the people of the Nation best able to bear taxes have borne their burden, but last year you and I called attention to the fact that the burden would fall upon those least able to pay it—that is, those working for salaries—and we were called prevaricators. Now the Treasury is to finance not only the current expenses of the Government but the Federal debt out of these reserves paid in by the workmen of the Nation, so we were not very far off when we called attention to that.

Mr. MCGRANERY. If section 11 of the bill were stricken out, would you support it?

Mr. DIRKSEN. I will say to you that I will support any kind of housing bill that looks reasonable, because we have to make the start. We will have to make some mistakes, but let us not make the same mistakes over again that we made in the last 3 or 4 years. But you send to the House any reasonable kind of bill and you will find me voting for it.

Mr. CRAWFORD. I do not want to be too persistent in this, but you are familiar with this situation as much, I think, as anyone can possibly be.

Section 20 of this bill says that—

> The Authority is authorized to authorize obligations, in the form of notes, bonds, or otherwise, which it may sell to obtain funds for the purposes of this Act.

Subsection (c) says:

> Such obligations shall be fully and unconditionally guaranteed upon their face by the United States as to the payment of both interest and principal * * *.

Subsection (d) states:

> Such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or agency thereof.

To me that says that these Social Security funds can be specifically invested in these bonds issued by the Treasury.

Mr. DIRKSEN. If you are going to make them a proper investment for fiduciaries, so that any court under any circumstances would approve them, I expect that that is the case, but before I forget it, I want to say a word about a question that Mr. Hancock raised yesterday in connection with the distinction between the word "urban" and "rural", and I believe that Mr. Fisher said that twenty-five hundred would constitute the division line. When you talk about slum clearance, and loan housing, we so often think that there is no such problem along that line in a little community, like in mine, a town of 18,000, but we have a blighted condition down there, and I used to go down and call on a couple of war veterans and take to them a basket of groceries, living in one room with four or five children, and with an old ramshackle automobile in front, and an old stovepipe going up through the roof. They were sitting out there pretty well alone, and nobody will say that they do not have adequate light and air, but fancy bringing up six of the future citizens of America in one little room where, if they did not learn immorality, they learned to be unmoral, and they do not get the same kind of training that other children get.

And that is no isolated experience in my town. We used to refer to Gravel Ridge, and that meant a submerged group of our population. I have seen it improve. When I was in the city council we helped them some, but before that, when it was a town of 11,000 people, they had a problem.

Take a war veteran, gassed in the war. He cannot go out, in this highly brutal life of ours, and carry his own load. He and others like him are always a problem.

Mr. REILLY. What in your judgment would be the price of a house to take care of the people that you are talking about?

Mr. DIRKSEN. You know, you have just got to readapt your thinking from time to time. When I was on the building and loan association board, we were thinking in terms of $2,500 houses and $3,000 houses, of four rooms, with a pretty fair yellow pine floor, a good grade of plaster on the wall, a good brick chimney, and we loaned a lot of money on that type of house, and if you are thinking of these in terms of necessity for housing and unemployment in the

country, you will be a long way toward putting some of the construction industry men back on the job if you can build houses around $3,000 or $3,500, and I do not see why, with the genius of this country, we cannot do it. We talk about freight rates on lumber, and about composition materials and building material going up. It is just one of those baffling things.

The CHAIRMAN. The cost will necessarily vary according to the size of the town and the value of the real estate. All of those things enter into the cost of construction.

Mr. DIRKSEN. Yes; I have seen a lot of figures from time to time, and I have read everything that Langton Post has written on the subject of housing, and I see where they talk about $2,000 per room in these large units, and the average is three and a half rooms. That would be $7,000. If you would talk about $7,000 in my town for the low-income brackets, you would knock off their hats. They are not accustomed to thinking in those terms.

Mr. MCGRANERY. What is the value of the land that you have in mind when you refer to a $7,000 house?

Mr. DIRKSEN. I have not any idea. It will be in the Bronx or in Brooklyn, and Mr. Kennedy can tell you about those things.

Mr. MCGRANERY. What is the value of the land that you have in mind when you refer to a $3,000 undertaking?

Mr. DIRKSEN. Well, $500 for the lot in connection with a $3,500 house, or $4,000. That is not a bad combination, and we used to loan money on it very frequently. There has to be some proportion, and it varies with different real-estate men, and it varies with the different towns. The ratio might be 5 to 1 between house and lot, or 10 to 1. You cannot use any arbitrary line.

Mr. WHITE. You say that you are willing to support any kind of a housing bill?

Mr. DIRKSEN. Well, you understand what I mean.

Mr. WHITE. Yes; I understand what you mean, and therefore you are very agreeably inclined toward this bill, but you think that certain changes should be made in order to make it as practical as possible. Would you summarize some of the changes that you think should be made? Do you think that there should be a low-cost guaranty?

Mr. DIRKSEN. First of all, strike out demonstration projects. Secondly, strike out any proposal that might undertake to loan money and make capital grants to limited-dividend corporations.

Mr. PATMAN. I would like to ask the gentleman two or three questions.

Mr. DIRKSEN. Let me finish with Mr. White.

I am not going to tell this committee what the amortization period shall be, but if I were sitting on this committee, as I was, I certainly would oppose any effort to write 60 years into the bill.

Now, then, as to the low-income families, I would sit up all night to do it, and draw some kind of standard, and make it definite.

Mr. TRANSUE. Would that be the same in the city as in the country?

Mr. DIRKSEN. I think so.

Mr. TRANSUE. The same amount of money?

Mr. DIRKSEN. Yes; I think so, because while rural communities might get a little benefit, it would not be a great deal, and it would not constitute an incentive for abuse.

Mr. WHITE. Those are four definite suggestions that you made.

Mr. DIRKSEN. I had eight or nine things written on a little piece of paper, and, like the absent-minded professor, I came away without it. I might send a definite memorandum to the committee.

The CHAIRMAN. The committee would be glad to have you do that.

Mr. DIRKSEN. I am sorry that I trespassed upon so much of your time.

Mr. PATMAN. I want to ask you a question before you leave.

The mayor of New York, yesterday, very frankly stated that it would require a subsidy of about 60 percent from the Federal Government in order to successfully carry out this program. Do you agree with him?

Mr. DIRKSEN. I do not know.

Mr. PATMAN. I presume that he has given it more consideration than any other man in the country, and I think that we can safely take his estimate of cost as correct.

That being true, in a project where the apartments would ordinarily rent for $40, the Government would pay $24 of that man's rent each month, and the man himself would pay only $16. In other words, that would be a direct subsidy from the Treasury of the United States each month amounting to $24 to the man in Illinois, New York, or Texas, wherever the project was, or a subsidy of about $288 a year to that one man, to increase his earning power, to make him a better citizen, to give his family a better place in which to live.

Suppose that we vote for that principle, and then the old people of the country come to us and say, "The people making $1,000, $1,200, and $1,300 a year you have subsidized under low-cost housing directly out of the Treasury. You would not permit them to run the risk of getting a contribution from the local government or their local State. You made this payment directly from the Treasury to this person." Possibly they could point to hundreds of thousands of men of middle age, and maybe a widow and one child, doing fairly well on $1,200 or $1,300 a year, and then they would say, "The old people down in Texas, in Oregon, and up in Michigan are only receiving $16 a month. Why don't you so arrange our laws that we will not have to depend upon the local contributions? You did not risk that in housing." So why not pass a law that we will pay the money directly from the Treasury to the old people of the country? Don't you think that you would have a very difficult time in giving a logical answer to that?

Mr. DIRKSEN. Well, haven't we had a difficult time in giving a lot of logical answers to a lot of things that we have contended with in the last 5 years?

Mr. PATMAN. I think that the gentleman is always trying to be consistent. I have noticed his record. He will always say, "I voted this way, and that is consistent with another vote that I cast." But suppose that you cast a vote for this, and then they come to you and say, "We are more deserving than those people. They have not served their country in time of war; they cannot claim the credit of doing that. They are just a part of the population. They have no claim on the Federal Government, other than the fact that they are citizens of our Government, and they are only a few out of the many that can be helped. Why shouldn't you help the old people the same way?"

How would you justify that, if you went before the people and were giving them an account of your stewardship, and one of your good old people, and I am sure that you have lots of them, asked you that question? What would you say?

Mr. DIRKSEN. I will tell you what I would say. It would be a rather general answer, and it is founded on the upward progress of history.

In 1906 we put a pure-food law on the books, and we got this crusading Dr. Harvey W. Wiley to bring these manufacturers and distributors into line, so that we could not get on the floor and contend that it was the right of the private individual to sell misbranded and adulterated foods to the people. My answer is that if you are concerned about the health of the people, and you set up an instrumentality and you appropriate for it, then by the same reasoning we ought to have some interest also in the safe, sane, and sanitary shelter for those same people over whose health we are so solicitous. We have set up a lot of other agencies.

Mr. PATMAN. Right there they will say, "We are not able to work. We are too old."

Mr. DIRKSEN. Let me finish; I will get to the rest of it.

All along the line, through the Federal Trade Commission, through the Interstate Commerce Commission, through the Pure Food and Drugs Act, and other things, we have over a period of years been manifesting solicitude about the welfare of the people, and in one respect, of course, we have neglected our duty, and that is in the field of housing.

Now, what difference does it make if we do make some mistakes along that line, if we give one person too much, as against the other person's too little? We have to charge it off on the basis of experience, but I think it can be done, and I think it is in line with proper social theory on the part of government.

Right now, I might say, the Social Security Board has suspended payment of Federal contributions to the State of Illinois, and they have rendered a ghastly indictment of some of the things out there. I find that the average payment to old-agers in Rock Island County was $18, in Cook County, $20, and in Washington County, Ill., the average was only $9.96. Do they get twice as hungry in Cook County as in Washington County? Yet that is one of the findings of fact.

Mr. MCKEOUGH. What was Madison County?

Mr. DIRKSEN. I do not know.

Mr. MCKEOUGH. It was $30.

Mr. DIRKSEN. That would be three times as much.

Mr. PATMAN. Let me pursue that further. Suppose that this constituent of yours should say, "You voted to pay them this $24 a month on an average out of the Public Treasury to the person living in Chicago, or New York, or Texas. Will you vote to pay my pension the same way? If the State of Illinois does not pay my $30, will you vote to pay it out of the Public Treasury?"

What would you answer to that?

Mr. DIRKSEN. I do not get just what you mean? You mean these old-age pensions that we are paying now under the Social Security Act?

Mr. PATMAN. That is right.

Mr. DIRKSEN. Pay all of it out?

Mr. PATMAN. Pay all of it out.

Mr. DIRKSEN. Well, we have settled other matters by paying it out.

Mr. PATMAN. I know, but the issue may be revived.

Mr. DIRKSEN. It may be revived, and, as I told you at the outset when you raised the question whether local communities ought to make some contribution, I think it is a matter that ought to be gone into very carefully, and what are you going to do about a community that has a housing problem, a very aggravated problem, and that is right against a fiscal wall and cannot move a hand or foot? Will you say, "Because of the derelictions of your municipal officers over a period of years, and some unsound financing, we will deny you the benefits?"

Mr. PATMAN. Don't you think that some suitable plan can be worked out, if we are bound to limit it to those in the lower income brackets? Suppose that we give them the money in some way and let them buy their own houses? Then those who are intelligent, and have energy, and who work hard and are willing to be good citizens in their community, would have a better chance of getting ahead.

Mr. DIRKSEN. What you are losing sight of is the fact, when you talk about pensions and old-age benefits, that you are talking about a group of people who, because they are decrepit, can no longer render a contribution to society, but when you talk about housing, you are applying it to American families who are still doing their little stint of work, if they can get employment, and I think that they are in a different group.

Mr. PATMAN. Don't you think that we owe as much of a duty to the old people, who have helped to build our country in time of peace and to save it in time of war, as we do to the group that you are talking about?

Mr. DIRKSEN. You are referring to the question raised by Mr. Hancock yesterday and today about low-income families.

If you want to open the Treasury up wide enough, go ahead.

Mr. PATMAN. Two or three years ago I was advocating an increased national debt by about three hundred million dollars, and I was called an inflationist, but since that time I think I should have been called a conservative.

Mr. HANCOCK. Of course, it may depend upon the sense in which the word is used as to what its real meaning is, but if a bill of this kind is enacted by Congress, and you go back home and give an account of your stewardship here, and of what you have tried to do for your people, and you happen to be addressing a group of farmers in Illinois, would you mention this bill to them?

Mr. DIRKSEN. Yes, sir.

Mr. HANCOCK. Then, why?

Mr. DIRKSEN. And, let me elaborate that a little further. In 1933, of course, we had the Agricultural Adjustment Act, and we paid on the base of acreage which they took out of cultivation. The Supreme Court invalidated that. Later the Soil Erosion Act was passed, in which we paid them a subsidy of $96, and that was paid then upon the principle of a subsidy, and the question of amount is the whole question of degree.

Mr. HANCOCK. I am not making the point that the bill ought to apply to the farmers. It is my judgment that some other agency, if necessary, ought to be provided for the farmers, but that this bill ought to speak the truth, and let it be broadcast throughout the country where the benefits will go and to what classes of our people.

Mr. DIRKSEN. Oh, yes; let us not write any hypocrisy into any bill, but I want to draw a distinction between the farmer and somebody else who gets the benefits. When the farmer takes acreage out of cultivation, he is being rewarded but when a man gets a dollar an acre for keeping cows out of the model pastures of America, you are going for in determining standards.

Mr. MCKEOUGH. Would you be gracious enough to add that in connection with the benefits of the A. A. A. and the Soil Erosion Act, an indirect contribution to the cost is required of municipalities and States?

Mr. DIRKSEN. That is right.

Mr. TRANSUE. Mr. Chairman, I have a question.

Mr. DIRKSEN. May I know the gentleman's name?

Mr. TRANSUE. Transue.

Mr. DIRKSEN. Very happy to know you.

Mr. TRANSUE. I have been here for 6 or 7 months.

Mr. DIRKSEN. I am sorry. It is my dereliction that I have not known you before.

Mr. TRANSUE. My question is whether or not the theory behind this housing bill should be the elimination of slums which exist principally in the large cities.

Mr. DIRKSEN. Well, that raises that whole question once more as to where you are going to draw the line.

Mr. TRASUE. What I have in mind is this. We are told that the maintenance of these slums is an economic loss, not only to the locality but to the country as a whole, and the question is whether or not their elimination should be the object of this bill, because it will be good business if they are an economic loss to the community and to the country, in the way of breeding criminals and spreading disease, etc., and whether or not we should address ourselves to that before trying to make it general the country over.

Mr. DIRKSEN. Of course, I have examined into that whole matter, and somehow or other when I hear about the criminal aspects of slums, and so forth, I am not unmindful of the fact that the most fragrant pond lilies come out of the mire, that Al Smith came from the East Side. It is a moving force. You will always have some crime, and you will have it on the "gold coast" as well as in the slums.

Mr. FISH. When is the gentleman coming to that question?

Mr. DIRKSEN. Will you repeat it for me?

Mr. FISH. As to your preference——

Mr. DIRKSEN (interposing). Between housing individual families in single houses——

Mr. FISH. And apartment buildings.

Mr. DIRKSEN. First of all, I am not a construction engineer. I have always been intrigued by these row houses in Washington. It is something that we do not have in our country. We always have them in terms of individual units, except in Chicago, where we have large apartments, but the type of housing has to be adapted to the conditions. When you have all of those people on State Street in Chicago at 12 o'clock noon, or at 1 o'clock on Saturdays, if you did not have large housing, they would probably have to go a long way to get to their homes.

Mr. FISH. Then a lot of them would not want to go that far.

Mr. DIRKSEN. That is true. Haven't we millions of cliff dwellers in this country who would not live any place where they had to push a lawnmower or take care of a furnace? They would not live in an individual house, like I do, or like Mr. Steagall does in Alabama.

Mr. MEEKS. You have in your district the city of Peoria, with a population of a little over 100,000 people, and you have some smaller cities. That is a condition that exists around the State, except that Peoria is larger than most of the cities in the State.

Taking into consideration this bill as it is presented here, how will it help Peoria and those other cities in your district and my district and other districts in Illinois?

Mr. DIRKSEN. I want something in there that will help, and that is one of your responsibilities, to see that we do get it.

Mr. MEEKS. The bill as written would not do it?

Mr. DIRKSEN. I am afraid not, but I think a distinction ought to be made and I think perhaps some restriction ought to be placed in the bill, to see that all the money is not spent in Cleveland, New York, or San Francisco. Let a little of it filter down to the little community in Illinois where I live because, after all, we want to do something to get better housing for a certain class of people in Peoria.

Mr. MEEKS. You and I are interested in the same way.

Mr. DIRKSEN. Yes; but you have the same problem that New York has.

Thank you, Mr. Chairman, and I am sorry that I trespassed on your time so long.

The CHAIRMAN. We are very glad to have had you with us.

The CHAIRMAN. Mr. Ellenbogen is with us——

Mr. KENNEDY. Before he goes, I would like to make an observation, and it is unfortunate that it is coming at this time, when one member has finished, but we have a great many people who have come here from different parts of the country, representing organizations, and so forth, and I think the Members of Congress have the opportunity of speaking on the floor—and this is no personal reference, but I think it is unfair to keep these witnesses sitting here while Members of Congress take up the time of the committee and, so far as I am concerned, I hope that when this gentleman finishes we will allow the witnesses to testify rather than our colleagues.

The CHAIRMAN. Mr. Kennedy, I think that your observations are entirely right. But this is the situation: Mr. Dirksen happened to have been a member of this committee at one time and he has given considerable study to the housing legislation and I apprehended that he desired to appear before the committee and I told Mr. Dirksen that if he were present this morning, we would hear him because of the rush that he is in as a Member of the House.

Then, Mr. Ellenbogen has given considerable study to this legislation and I told him that we would try to recognize him. I think that we can resume this afternoon with the outsiders.

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Mr. KENNEDY. I have no objection to the Members appearing, but I think it is hard on the witnesses to have to sit around here while the Members take up the time of the committee.

The CHAIRMAN. I had not thought that the hearing would run so long this morning with Mr. Dirksen, but we all know how that is when many questions are asked.

Now, Mr. Ellenbogen will be heard. Will you proceed?

STATEMENT OF HON. HENRY ELLENBOGEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. ELLENBOGEN. Mr. Chairman, and members of the committee, I will take only a few minutes. I am not going on for long, unless the members of the committee keep me here, for my own statement will be very brief.

I have been interested in the question of slum clearance and low-cost housing for many years. I introduced a bill on that subject in the House, and later Senator Wagner and myself got together and drew a joint bill and I introduced it in the House. The bill that is before the committee is practically the same, and I want the committee to know that I am for it, and for it with all my heart and soul, and I am willing to fight for it.

I want the committee to consider this not as something that has been gotten together in a few weeks. I want the committee to consider that this bill presents the deliberate judgment of practically every person in the United States that has been interested in the problem for a number of years. The drafters of this bill, the people that collaborated in drafting it, have drawn from their experience in low-cost housing in this country and in foreign countries, and every paragraph, and I would say every sentence and every word that is in this bill, has a meaning and has a purpose, and I hope that the chairman and the members of the committee, whenever they are going over this bill and considering the question of making changes, will keep in mind that every line in this bill was put into it after careful deliberation, and that you will not eliminate it or change it unless you believe that it ought to be done.

Mr. WOLCOTT. Might I interrupt? Might I ask as to why the provision concerning grants is in this bill?

Mr. ELLENBOGEN. Why it has been put in?

Mr. WOLCOTT. Yes. It was charged in the press this morning that in view of the fact that the President and Senator Wagner apparently disagreed on how this should be financed, that that was a provision—concerning grants—that was put in as a sop to the President, and the attention of the committee has been called to the fact that there is no provision for the authorization of any funds to make these grants.

Mr. ELLENBOGEN. Of course, I cannot speak for the President, nor for Senator Wagner, but I want to say this to my good colleague, that in the beginning the House bill only provided for grants of principal. Then when the experience of England was more carefully considered, in which the subsidy is mostly on an annual basis, and when we begin to figure out how much it would take to be expended quickly, we immediately, in order to arrive at low-cost housing, came to the conclusion that in many cases it may be more desirable to substitute an annual grant for a grant of principal.

Mr. WOLCOTT. England has taken the attitude recently that they should demolish corresponding to the amount of new building.

Mr. ELLENBOGEN. If the gentleman will excuse me, I have not finished my answer to the previous question.

My own deliberate conclusion, after a number of years of study, is that we ought to have both provisions in the bill, and I thoroughly disagree with the contentions of the writer in the Washington Post, that this provision is only a sham. I believe that in many cases the principal grant is more advisable than an annual grant, while in other cases an annual grant is more advisable than the principal grant, and I think that the board should have power in individual cases to determine which is the better, and this insertion into the bill, as it was redrafted by Senator Wagner, is an improvement on the former bill.

Mr. WOLCOTT. Should we not be honest with ourselves, if we leave in the grant provisions of the bill, and make some provision for authorization? As I understand the bill, $22,000,000 out of a total of $25,000,000 appropriation is already earmarked.

Then, I understand that England has now agreed upon a policy whereby they demolish old buildings corresponding in amount to every project which they have adopted. This bill does not provide for that. Don't you think that that would be advisable?

Mr. ELLENBOGEN. No; and I will tell you gentlemen why. I have heard some other witnesses express a contrary opinion. I do not share it. You take any city in this country, and you will find that they demolish each year a number of dwellings, and our good colleague, Mr. McGranery, can enlighten you on the fact that they have demolished those buildings to an extent that they have not constructed new buildings.

That is why I say to you gentlemen that when you construct a new building, you must remember that you are constructing fewer buildings than you have destroyed.

Mr. WOLCOTT. Where we provide new projects which will house 100 former slum dwellers, should we not demolish those buildings which we seek to replace by the new dwellings? If this bill has any purpose at all, it is to give these people light and air, to increase their moral fiber and their opportunity to live as decent, respectable people would like to live. We understand that those hovels in which they live are uninhabitable, and so we build new buildings to house them, but we also recognize that these hovels are then habitated by other people.

Perhaps we do not agree on the machinery, but, on the principle that if we condemn a slum because it is uninhabitable, and build other buildings to replace that slum, don't you think that it is only common sense that we should demolish the old buildings, so that we won't breed disease, and so forth, that we seek to eliminate?

Mr. ELLENBOGEN. We certainly should, but I say——

Mr. WOLCOTT. And should not this bill provide for that?

Mr. ELLENBOGEN. I would not make it a condition, because the city may have a real shortage, and it may be that they can be altered instead of being demolished. I believe the members of the committee are familiar with the fact that we are facing today in the

United States the development of a most serious housing shortage, the most serious that this country has ever experienced.

Mr. McGRANERY. Is it not a fact that Philadelphia, New York, and some of the large centers have, by local legislation, already condemned these unsanitary houses which are now uninhabitable?

Mr. ELLENBOGEN. That is certainly the thought I had.

Mr. McGRANERY. So, by local legislation, that matter, in your opinion, should be taken care of?

Mr. ELLENBOGEN. That matter is taken care of by local legislation.

Mr. WOLCOTT. Where are those people living that no longer live in these places?

Mr. ELLENBOGEN. They crowd into other quarters.

Mr. WOLCOTT. Our purpose is to relieve that crowded condition.

Mr. ELLENBOGEN. Yes.

Mr. WOLCOTT. Of course, there should be some discretion about it, but should we not take into consideration the fact that there should be some provision in the bill for the rehabilitation of these present habitations, if they can be made desirable to live in?

Mr. ELLENBOGEN. I think that no dwelling that is unsanitary should be permitted to exist, regardless of what is done about the dwelling.

Mr. WOLCOTT. I agree with you about that.

Mr. ELLENBOGEN. I find in the most recent study of this subject, in a publication of the Federal Resources Committee, that 15.6 percent of the dwelling units that were surveyed were overcrowded. I think it is conservative when I say to the committee that we must construct in the United States in the next 10 years between seven and ten million new dwellings.

Mr. McGRANERY. Right there, has it not been your experience in studying this situation that the reason perhaps that you would not want in this bill a provision for the abolition of a number of buildings corresponding to the number that might be erected is because that would continue the overcrowded condition that exists?

Mr. ELLENBOGEN. That is right.

Mr. McGRANERY. Having in mind that in the city of Philadelphia there have been as many as two families occupying the same room and paying $5 a week each. Has that been your experience?

Mr. ELLENBOREN. I certainly agree with the gentleman, and I say this to the gentleman, that you can draw the most perfect law and it will be a failure unless it is intelligently administered, and if you have an intelligent administrator he is going to survey the facts in the city, and if in his judgment it is necessary that a dwelling should be demolished, he can make that a condition before he will allow the money.

Mr. McGRANERY. And you certainly agree that the housing authority that would be created under this bill, in dealing with the local situation, surely would insist upon legislation being enacted by the local authorities before there would be any grant made?

Mr. ELLENBOGEN. They certainly should, and they should have the power to make it a condition precedent before they made a loan, but I do not agree that it should be made obligatory, and I hope that Mr. Wolcott will agree with me.

Mr. WOLCOTT. Up to a certain limit, I do, but the purpose of this bill is to make loans to relieve people who are not able at the present time to continue in their present hovels because of restrictions imposed by the local police power.

Have you any figures as to how much construction would be necessary to relieve these crowded conditions in otherwise habitable homes?

Mr. ELLENBOGEN. Well, there has been, as the gentleman has observed, a large increase in the number of families in the United States in the last few years. I mean by that that during the depression young couples did not get married. Other couples that did get married lived with their parents, or with some other relatives. But when economic conditions improved, and the pressure was lifted, marriages increased, and people again began to decrowd, if I may use that term, and therefore the number of family units has tremendously increased. I am certain that if you were to investigate the number of marriages this year and last year, you would find that what I said is true, because the long delay in recovery, and pressure exerted by economic conditions, prevented people from marrying.

Now, in my own city, I know that there is a shortage of living quarters. In Chicago there is a shortage, and I know that there is in Philadelphia. I am not familiar with the details in other cities, but I know that we are facing a shortage in most of the larger cities in the United States.

Mr. WOLCOTT. There is also a shortage in my neighboring city—Detroit—but the purpose of your bill is slum clearance. It is not, as I understand it, primarily to relieve the crowded conditions, except where those crowded conditions constitute insanitary conditions to the extent that we have slums.

Mr. ELLENBOGEN. You might call those blighted areas. The beginning of a slum always starts with an overcrowding. That is the very beginning of it. Then it deteriorates more and more, and becomes a slum. In the beginning you might call it a blighted area, if you prefer that term.

Mr. WOLCOTT. Then we can say that in these blighted areas, in these overcrowded areas, the people of what we might call the high-low income class, and the people in the very lowest income class, are still living in the slums?

Mr. ELLENBOGEN. Yes.

Mr. WOLCOTT. Is it not the purpose of this legislation to relieve the people in the lowest income brackets?

Mr. ELLENBOGEN. It is.

Mr. WOLCOTT. Then why should we not demolish a corresponding amount of slums for each——

Mr. ELLENBOGEN (interposing). I think that we should. I think that we ought to. You take, for instance——

Mr. WOLCOTT. My purpose is to make this bill a slum-clearance bill, and to be sure that it is not used as a basis for a lot of exploitation by real-estate people who otherwise could not finance the property; and you really accomplish the purpose of the bill by making it applicable to the lowest income class.

Mr. ELLENBOGEN. I believe that you will accomplish the purpose if you will insert a provision giving that board or commission the power to make that as a condition precedent, but leave it to his dis-

cretion whether he wants to impose a condition in a particular case, because there may be cases where the demolitions have taken place.

Mr. WOLCOTT. I think perhaps that we should do a deal more than that. We left a great deal of discretion in such agencies as the Resettlement Administration, and we have seen that they have gone out and done a great deal more than was the intent of Congress, and I think, now that we have the chance, we had better write into the law restrictions against the activity of this authority which will guarantee to the Congress and to the people of the United States that this bill is actually accomplishing its purpose.

Mr. ELLENBOGEN. I know, for instance, that in the city of New York they had to stop demolitions because they did not have new dwellings, and they went to Albany to obtain permission to prevent demolitions.

Mr. KENNEDY. Do you know what brought that about?

Mr. ELLENBOGEN. The gentleman knows more about it than I.

Mr. KENNEDY. You started to explain it. I thought that you were familiar with it.

Mr. ELLENBOGEN. To some extent.

Mr. KENNEDY. I understand that the mayor and his group were responsible over a period of years for a law that imposed a certain penalty upon an owner of a building if it did not comply with certain standards.

Mr. ELLENBOGEN. That is right.

Mr. KENNEDY. Many of the owners of the property decided that they could not comply; and rather than to be subject to prosecution under the law, they closed up these houses. They just closed the doors. So the city authorities found that that was creating havoc. The city has a law which makes it possible for them to proceed with the repairs, and, as the mayor explained yesterday, the amount of those repairs becomes a first lien on the property. So it was a situation that was aggravated and brought about by the same people who are now here trying to remedy it in this fashion.

Mr. ELLENBOGEN. I thoroughly agree with the thought of the gentleman, but I do not believe that it should be mandatory, and I hope that the gentleman does not insist.

Mr. KENNEDY. I understand that Senator Wagner agreed in the Senate yesterday to what you suggest, about the demolition.

Mr. ELLENBOGEN. I do not speak for Senator Wagner, and I would still oppose it.

Mr. MCGRANERY. Do you consider a slum area to be, perhaps, a rooming-house neighborhood that is overcrowded? Would that still be a slum?

Mr. ELLENBOGEN. It would be the beginning of a slum.

Mr. MCGRANERY. If these overcrowded conditions in that particular neighborhood, rooming-house neighborhood, should be relieved by the building of other properties, the rooming-houses being perfectly sound and safe and habitable, in your opinion should they be demolished?

Mr. ELLENBOGEN. They should not.

Mr. KENNEDY. Is there any difference between congestion and slums, in your mind?

Mr. ELLENBOGEN. There certainly is.

Mr. KENNEDY. How do you distinguish between a congested area and a slum area?

Mr. ELLENBOGEN. Well, generally we mean by the term "slum" a condition where they do not have the proper facilities for ventilation, where they do not have toilets, and so forth, but the condition of overcrowding in itself creates conditions very much akin to those that develop in the small areas.

Mr. KENNEDY. Have you ever studied the movement which was started many years ago in our State by the State legislature to appropriate certain sums of money to develop these ideal communities away from the cities, and after 2 or 3 years they abandoned the whole business, stating that the city dwellers refused to go out in the country, that they always wanted to live in the city in very convenient locations, so that congestion is almost synonymous with slums? One brings on the other. We have the lower East Side in New York, and the people that are there won't move. I have heard them come in with the argument as to why they remodeled these things. In other words, they do not care to move out of that neighborhood, and they do not feel that it is necessary to get out of the building.

Mr. ELLENBOGEN. I agree with the gentleman that congestion is the beginning of slums.

Now, if I might, I would like to make a few remarks——

Mr. WOLCOTT. I desire to call attention to an amendment to the bill offered by Senator Walsh on August 2, in which he provides [reading]:

> That no annual contributions shall be made, and the Authority shall enter into no contract guaranteeing any annual contribution in connection with the development of any low-rent housing project involving the construction of new dwellings, unless the project includes the elimination by repair or improvement of unsafe and insanitary dwellings situated in the locality or metropolitan area, substantially equal in number to the number of newly constructed dwellings provided by the project.

In his statement accompanying that, he brings this out [continues reading]:

> It is also significant to point out that in England, after some 80 years of legislation and experimentation in connection with housing and slum clearance, in 1933 all subsidies to local bodies were withdrawn by the Parliament, except those granted for the purpose of rehousing persons displaced by slum-clearance operations.

If we are to profit by the 80 years of experience of England, surely we should give consideration to what they have done in that respect.

Mr. ELLENBOGEN. I want to say this to the gentleman—that I agree with him in purpose, but I disagree with him as to how to make it practical.

Mr. WOLCOTT. I understand that that amendment and some others were adopted in the Senate yesterday.

Mr. ELLENBOGEN. But I still believe that it should be retained as it is. I think this bill has two purposes: one is slum clearance, and the other is to take care of families of very low income; and when you overlook one purpose, you are damaging the effect of the bill just as much as when you overlook the other purpose, and when you insist on that amendment, I think that you destroy a very important part of that bill. When you make it a matter of judgment on the

part of the Administrator, I think that you are going as far as we ought to go.

Mr. LUCE. In that connection, I understood you to express the belief that the bill before us is as good a bill as could be written.

Mr. ELLENBOGEN. I do not want to put it that way. I think that it has had very careful study over a number of years, and represents——

Mr. LUCE. But you said it with the idea of inviting us not to make any changes.

Mr. ELLENBOGEN. The thought that I wanted to leave with the committee was that it should go very slowly before it makes any fundamental changes in the bill.

Mr. LUCE. Now, within 48 hours, Senator Wagner has accepted, or said that he would accept, some amendments that do seem to change the bill very materially. Would you advise us to oppose those amendments?

Mr. ELLENBOGEN. I want to say that, gentlemen—that he has been in Congress many years, and he knows that in order to gain objectives he has to make compromises, and I am certain that the Senator felt that in order to obtain a bill in the Senate it was advisable to make certain sacrifices.

Mr. LUCE. Undoubtedly, but if the dictum is to be laid down that we are not to change this bill——

Mr. ELLENBOGEN (interposing). That was not my thought. I know that this bill has been very carefully considered. I participated in a conference where we took one paragraph of the bill and would spend hours in the discussion of a certain line.

Mr. LUCE. We are spending hours on the same thing.

Mr. ELLENBOGEN. I say, sometimes legislation is not as carefully considered as it might be when it comes before a committee, but this bill has been very carefully considered before it was submitted.

Mr. REILLY. This bill as written makes no requirement that a city asking for assistance in home construction should furnish anything—is that your understanding?

Mr. ELLENBOGEN. That is right.

Mr. REILLY. Don't you think that there ought to be some requirement that Pittsburgh, for instance, in coming down here and asking the National Government for aid, should itself furnish some assistance?

Mr. ELLENBOGEN. I will say this—that I think Pittsburgh would gladly furnish a part of the cost, but I do not think that it should be made mandatory, for this reason—that some of the communities cannot afford it today, and a good many of the communities have not been educated to the need for it, and if this bill functions as I believe it will, in intelligent administration, inside of a few years you will have such a large demand for low-cost slum clearance that the government of every community and State will be forced to contribute a considerable part, but in the beginning let the Federal Government take the lead. The Congress is the most enlightened body sitting in any place in this Nation, and the Congress has led this Nation in social legislation. It is leading Germany in the social field. So let us take the lead here, and I think that the cities and States will follow.

Mr. MCGRANERY. You have made a careful study of this situation. Have you studied the loss of life through disease and by accident as the result of these slum conditions and unsafe houses?

Mr. ELLENBOGEN. I have some figures on that subject, and, of course, the gentlemen is referring to his own city, where I think seven people died because of the conditions in one of the old tenement houses that should have been torn down long ago.

For instance, in the city of New York, the number of deaths from tuberculosis in the old tenement houses, which are in the slum districts, is 220 percent higher than in the newer tenement houses. At the same time, deaths due to spinal meningitis are 240 percent higher in the old tenement houses; deaths from all causes, 80 percent higher in the old tenement houses than in the newer ones. Juvenile delinquency is 120 percent higher in the slums than in the newer tenement area.

Mr. WOLCOTT. I think that these figures that Congressman Ellenbogen is giving are really worth while, and I wish that the Congressman would develop them. I think that his figures justify a stand for slum clearance.

Mr. MCGRANERY. Mr. Chairman, Mr. Wolcott has asked that the figures just enunciated here by Mr. Ellenbogen be prepared in the form of a short statement and submitted for the record.

The CHAIRMAN. Very well. We shall be glad to have them.

Mr. ELLENBOGEN. I will be very happy to do that.

Mr. TRANSUE. And give the basis of your figures.

Mr. ELLENBOGEN. Before the committee adjourns, I want to give to the committee one or two figures. I do not know if the committee has received them. They represent the cost of slum areas to the city. For instance, in Chicago, in 1931, the city of Chicago, for one slum area, paid out in municipal services, that is, police and fire protection, and so forth, $3,200,000 a year.

Mr. MCKEOUGH. Will you identify the area?

Mr. ELLENBOGEN. I can, but I do not have that with me.

Mr. MCKEOUGH. I wish that you would.

Mr. ELLENBOGEN. The taxes, that is, the taxes assessed against that area, only amounted to $586,061.

Mr. MCKEOUGH. Does it show how much was collected?

Mr. ELLENBOGEN. Much less was collected. I do not know how much. But the loss was stupendous.

For instance, here is another example, in the city of Cleveland. In the city of Cleveland, in the slum area which covers 2½ percent of the population, the municipal service cost $1,971,000—nearly $2,000,000.

Mr. REILLY. That is an argument why the city should put up the money to combat that condition.

Mr. ELLENBOGEN. The income for that area was $235,000.

I say that the city should, and the cities will, but let us educate the cities.

Mr. REILLY. They won't do it unless we require them to.

Mr. ELLENBOGEN. I think that later on we should require them, but not until we have educated them to do it.

Mr. MCKEOUGH. Do you think that the requirements of this bill are to cover a parochial problem, or a national problem?

Mr. ELLENBOGEN. I think that it is a national problem.

Mr. McKEOUGH. If you think it is a national problem, is there any more reason why the municipalities that have got to cure this condition should be penalized, as against the farmer that receives his soil-erosion contribution from the Federal Government?

Mr. ELLENBOGEN. I certainly agree with the gentleman. Take the city of New York, or take the city of Philadelphia or Pittsburgh; we contribute millions and millions of dollars more in Federal taxes than the Federal Government pays in servicing that area. The money goes somewhere else.

Mr. McKEOUGH. May I ask if any of those dollars that Pittsburgh paid in were earmarked so that none of them might reach the rural settlements in the payment of gratuities to the farmers?

Mr. ELLENBOGEN. We are very glad to help the farmer, but we also want to take care of the city dweller, and this bill is not limited to the city dweller. Slums in the rural sections are just as bad as they are in the cities.

Mr. McKEOUGH. Are you not willing to have the same treatment accorded Pittsburgh, New York, or any other large municipality as its funds have resulted in according to those outside of those large cities?

Mr. ELLENBOGEN. Certainly.

Mr. REILLY. For the enlightenment of Mr. McKeough, I want to observe that there is no subsidy that has gone to the farmer that is comparable to what the Government has done in going in and spending hundreds of millions of dollars to give Chicago decent housing conditions.

Mr. McKEOUGH. You cite me a single instance of a Federal grant to a municipality that has not been more than equaled by a grant to the farm element.

Mr. REILLY. The one grant that you are asking for now.

Mr. McKEOUGH. Is it not true that in the cities they have supported, from a national point of view, the benefits that have accrued to the farmer through the A. A. A., soil erosion, the farm-loan bill, and others, on the ground that they involved a national situation?

Mr. REILLY. I say that the municipality is vitally concerned also, and should come across and put up some money.

Mr. McKEOUGH. It has put up the money.

Mr. REILLY. And this wage-and-hour bill will also result in an increase in the cost of living to the farmer.

Mr. ELLENBOGEN. I want to add this: You say that we are going to legislate to give the city dweller a living wage. Give his a place to live first.

Mr. McGRANERY. The mayor of New York testified yesterday that they have deferred their taxes on the houses that have been erected over there in Williamsburg by the Federal Government until such time as he perhaps thinks it will be on a paying and going basis. Now, he says that that was his contribution to these houses, and I believe that it is a very substantial contribution. So the cities are paying. Now, do you know that what is true of New York is true of these other places that have housing projects?

Mr. ELLENBOGEN. I do not know that that is true of other places.

(At this point there was a roll call.)

Mr. ELLENBOGEN. I cannot compete with the roll call. I will extend my remarks.

The CHAIRMAN. Very well. We will meet again at 2:30.

(Thereupon, at 12:35 p. m., a recess was taken until 2:30 p. m.)

AFTER RECESS

The committee reassembled at 2:30 p. m., pursuant to the taking of a recess, Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Steagall, Goldsborough, Reilly, Hancock, Williams, Spence, Meeks, Ford, Brown, Patman, McKeough, Evans, Transue, McGranery, Wolcott, Luce, Crawford.

The CHAIRMAN. The committee will be in order. Mr. Frisbie, we will hear you.

STATEMENT OF MILES R. FRISBIE, EXECUTIVE DIRECTOR OF THE MUNICIPAL HOUSING AUTHORITY OF THE CITY OF SCHENECTADY AND SECRETARY OF THE AMERICAN FEDERATION OF HOUSING AUTHORITIES

The CHAIRMAN. All right, Mr. Frisbie; your name is Miles R. Frisbie?

Mr. FRISBIE. Yes, sir.

The CHAIRMAN. You are executive director of the Municipal Housing Authority of Schenectady?

Mr. FRISBIE. Yes, sir.

The CHAIRMAN. And you are secretary or treasurer or some other official of a housing organization?

Mr. FRISBIE. American Federation of Housing Authorities.

The CHAIRMAN. American Federation of Housing Authorities?

Mr. FRISBIE. Yes, sir.

The CHAIRMAN. You are secretary or treasurer?

Mr. FRISBIE. Both.

The CHAIRMAN. Both?

Mr. FRISBIE. Yes, sir.

The CHAIRMAN. All right; you may proceed. The committee will be glad to hear you discuss this bill.

Mr. FRISBIE. If the chairman please, and gentlemen of the committee, I would like to put into the record this list of housing authorities of the United States, many of which the American Federation of Housing Authorities represents—some 41, I think it is—housing authorities, State boards that are members of this federation, and which includes cities from Birmingham, Ala., to Milwaukee, Wis.

The CHAIRMAN. All right.

(The list above referred to is as follows:)

CITY HOUSING AUTHORITIES, AFFILIATED WITH THE AMERICAN FEDERATION OF HOUSING AUTHORITIES, POLITICALLY STERILIZED LIKE BOARDS OF EDUCATION

Birmingham, Ala.
Los Angeles, Calif.
Bridgeport, Conn.
Chicago, Ill.
Peoria, Ill.
East St. Louis, Ill.

Covington, Ky.
Louisville, Ky.
New Orleans, La.
Boston, Mass.
Cambridge, Mass.
Detroit, Mich.
Omaha, Nebr.
New Jersey State Board of Housing.
Lackawanna, N. Y.
New York, N. Y.
Port Jervis, N. Y.
Schenectady, N. Y.
Syracuse, N. Y.
Yonkers, N. Y.
Cincinnati, Ohio.
Cleveland, Ohio.
Dayton, Ohio.
Toledo, Ohio.
Youngstown, Ohio.
Pittsburgh, Pa.
Charleston, S. C.
Columbia, S. C.
Louisville, Ky.
Knoxville, Tenn.
Memphis, Tenn.
Milwaukee, Wis.
Massachusetts State Board of Housing.

CITIES HAVING INACTIVE HOUSING AUTHORITIES

Andalusia, Ala.
Sheffield, Ala.
Florence, Ala.
Mobile, Ala.
Red Level, Ala.
Washington, D. C.
Frankfort, Ky.
Lexington, Ky.
Newport, Ky.
Chelsea, Mass.
Lowell, Mass.
Billings, Mont.
Columbus, Ohio.
Warren, Ohio.
Chester, Pa.

The CHAIRMAN. And, what do they advocate? Do they advocate the passage of this bill?

Mr. FRISBIE. Yes; we speak for them.

The CHAIRMAN. Do they know anything about it? Have they seen the bill, or are they just talking in a general way?

Mr. FRISBIE. All have seen copies of this bill and most of them sit in on the drafting of this bill.

The CHAIRMAN. Let me ask you who constitutes the housing authorities which you refer to. Tell us about the organizations, who they are and what they are.

Mr. FRISBIE. What—the housing authorities?

The CHAIRMAN. Yes.

Mr. FRISBIE. Let us begin there.

Under the laws of 31 States, the cities of the country are authorized to create municipal housing authorities, specifically charged with the job of abolishing slums and providing housing for people in the lower-income groups who now live in insanitary and unsanitary houses.

The CHAIRMAN. Thirty-one States have that legislation?

Mr. FRISBIE. Yes, sir.

The CHAIRMAN. And, it is the organization of those 31 States that are represented in that message and by you as their representative here now?

Mr. FRISBIE. That is right.

The CHAIRMAN. That is sufficient.

Mr. HANCOCK. To whom are they responsible—to local boards?

Mr. FRISBIE. To what?

Mr. HANCOCK. To the local governing boards of the communities, is that the body to which they are responsible?

Mr. FRISBIE. Directly to the common council.

The CHAIRMAN. Mr. Luce, any questions?

Mr. LUCE. Are there any State housing authorities?

Mr. FRISBIE. Yes, Mr. Luce; there are the Massachusetts State Board of Housing and the New Jersey State Board of Housing.

The CHAIRMAN. All right, will you proceed, Mr. Frisbie.

Mr. FRISBIE. Now, this morning, Congressman Goldsborough made a real contribution to this subject which we have under consideration here when he raised the question about municipalities contributing to this program of housing. All of the authorities of the United States agree with the principle that there should be a partnership in matters of this kind between the Federal Government, the State government, and the cities.

With that principle we are all in agreement, but we are dealing with a situation where we have 48 States, sovereign States, as we speak of them, and very largely the sovereignty of many of these States, in fact, I think all of them, have parted with a certain part of their sovereignty which they have given to the cities. There is no uniformity in legislation among these States, with respect to the power to make municipal contributions.

Very fortunately in New York State we were not in that situation; but I am informed by the legal representatives of the housing authorities in the States of Massachusetts, Illinois, Ohio, Michigan, and from some of the Southern States that there are constitutional provisions which at the present time would absolutely prevent them from making contributions, for instance, such as tax exemptions.

Now, in New York State we can make tax exemptions. That is, New York has a provision for amortizing the provisions right now which we are discussing in connection with this matter. We had the housing authorities here from all over the United States spend 3 or 4 days with the Treasury in discussing this situation, and the Treasury wanted to write in a mandatory provision that the housing authority must make a contribution of 5 percent, 15 percent, or 20 percent, or whatever we would agree upon. We said then, as I say to you now, in all sincerity and frankness, we are absolutely in accordance with the principle, but we could not do it on account of the law.

Now, what we want in this bill is a national law, something that will fit the whole United States, and for that reason these provisions in this bill, regarding the municipal contributions, are made flexible so if we come down from one city and say to the United States Housing Authority we cannot make tax exemptions, but we can give you a site; or we cannot give you a site, or we cannot give you the

tax exemption, but we can put in the water system; we can pave the streets, and lay the sidewalks around this thing; or we can put in the playgrounds and the municipal things you need; or we can build a school for the thing.

It leaves it, as the bill is written now, it leaves it so flexible that each city can be dealt with upon its own circumstance.

Now, we must remember that housing frequently develops emergencies. The housing situation will develop an emergency situation. Pontiac, Mich., is an example of it right now, where the influx of employment, the decline in residential construction in the past few years, with such demolition as they have done, has created such a serious housing shortage that the welfare officer out there advised me, at the request of the mayor, that they were buying tents to house their shelterless people in.

Now, I do not know anything about the financial situation of the city of Pontiac; but for the sake of argument, let us call it city X, having developed what the situation is, and let us say that city X is absolutely financially unable to make a contribution of any kind and that it has a situation such as Pontiac has today, where, with winter less than 100 days away—that is, cold weather less than 100 days away—they are putting their shelterless people in tents.

Now, if you write a mandatory provision in this bill that a city must make a contribution and X city comes down here in that situation, you have shut the door of Federal aid to a city, perhaps which needs it worse than any other city in the country.

Mr. CRAWFORD. Mr. Chairman, speaking of Pontiac, this being so close to my town, I want to ask you if you really feel that the provisions of this bill are such that Pontiac will get any material benefit out of this legislation?

Mr. FRISBIE. Absolutely. Why would it not?

Mr. CRAWFORD. I do not think we have a slum district in Pontiac that will qualify under this bill. I do not think we will get 30 cents out of this bill, and I say it in all sincerity. I am talking about the city of Pontiac, Mich., that I know something about.

Mr. TRANSUE. Mr. Crawford, if you will yield. I have been informed about a law—though I do not know about it definitely—which was passed by the State legislature, which authorizes cities of over 500,000 people to come in under a bill such as this, if it passes. If they have enacted legislation for it, it is evident that the State Legislature of Michigan did not feel that there is any necessity for it in the smaller communities you speak of.

Mr. CRAWFORD. That is just the point.

Mr. FRISBIE. Now, thank you, Mr. Transue. That gives me an answer to the question you asked.

If the city of Pontiac, if the State of Michigan, has not a provision in its law authorizing the creation of the municipal housing authority in the city of Pontiac, then, regardless of the condition of Pontiac, Pontiac could not share in this thing except under the demonstration provisions, and that is the express reason why that demonstration provision is in there. We knew there were States in this country where there are no housing authorities—that is, where there is no housing-authority law—and we did not want to foreclose those States. We wanted to make it national in its application.

Mr. CRAWFORD. In that regard also, take Saginaw, a few miles beyond Pontiac, with 99 percent of the houses occupied. I do not think that Saginaw could benefit under this in the least, not even to one house. At the same time, you can go into the city of Saginaw and buy properties the people with a net worth of from fifty to a hundred thousand dollars live in today—you can buy those properties for 35 to 40 cents on the dollar, and I have two offers on my desk today of that kind.

Mr. FRISBIE. That is a condition that is general throughout the country.

Mr. CRAWFORD. In New York, Minneapolis; it is true in Denver and in practically every city in the country.

Mr. FRISBIE. But, I undestood you to say, with 99 percent occupancy in the city of Saginaw, there is no necessity for housing there.

Mr. CRAWFORD. I do not think that this bill would give them one cent of relief. I do not think it is possible to read into this bill that it would.

Mr. FRISBIE. We are not talking about the same thing, Congressman. Is there need for housing in Saginaw? That is what I am referring to.

Mr. CRAWFORD. Yes; is there need for housing in Saginaw? That is what I am trying to find out.

Mr. FRISBIE. Is there need?

Mr. CRAWFORD. I do not know; as long as there is a vacancy of even 1 percent, and as long as you are getting reasonable rents, and as long as the people there refuse to take the money they have on deposit and build up other places in which to live, and as long as you can buy property at 30 cents or 40 cents on the dollar—and that is high-grade residential property.

Mr. FRISBIE. That is all right, if you have got 35 cents on the dollar; but how about the fellow who has not got it? How will it help him in the payment of rent on his $15 a month, we will say. Where are you going to house him?

Mr. REILLY. Mr. Frisbie, in connection with these people who have gone to Pontiac for the purpose of securing employment, living in these tents, and so forth, are they in a classification which will not be able to pay rent? They are certainly going in there for that employment.

Mr. FRISBIE. I do not know what the reasons are, whether they are unemployed or whether they are workers; but they certainly are people who cannot obtain shelter. They are people who have been dispossessed.

Mr. MCGRANERY. Mr. Frisbie, under section 11 here, do you not feel that the city of Pontiac, and the city of Saginaw, or any other city, could obtain the benefits of this act unless there was a statute of the legislature containing a direct prohibition against it?

Mr. FRISBIE. That is right; they could.

Mr. MCGRANERY. So that under this bill as it stands now, Saginaw and all of these other towns could get the full benefit of the act.

Mr. FRISBIE. Under section 11.

Mr. TRANSUE. They could get general relief.

Mr. FRISBIE. Yes.

Mr. REILLY. Does not that section limit the amount to be expended for demonstration purposes to $25,000,000 throughout the United States?

Mr. FRISBIE. That is right; it does.

Mr. CRAWFORD. You would not think, then, that my city could get any benefit from that $25,000,000, would you, when you consider the needs in other cities like New York, Philadelphia, Chicago, Baltimore, as compared to the city of Saginaw?

Mr. FRISBIE. New York, Philadelphia, Baltimore, and those cities would not come under section 11. They would operate under section——

Mr. CRAWFORD. They would not come under section 11?

Mr. FRISBIE. No, sir.

Mr. CRAWFORD. But the mayor of New York tells us that the city of New York alone needs a billion dollars, and this only provides $700,000,000.

Mr. FRISBIE. That is all right. New York City may need $1,000,000,000 but it is not going to get it.

Mr. TRANSUE. The point that I am trying to make is the fact that legislation, just because they were considering this legislation, and in considering this they did not provide for communities such as Pontiac, which they have got right close to home, and when they were considering the situation they did not consider them. They had a chance to take advantage of the benefits of it if they wanted to, but they just did not want it. It provides in that State that it shall apply to cities of 500,000 or more population, and there is only one city of that size in that State, and that is Detroit.

Mr. CRAWFORD. That is right.

Mr. HANCOCK. Is it not a fact that only urban communities throughout the United States will be able to receive any considerable relief under this bill?

Mr. FRISBIE. Practically so, under one connection or another.

Mr. HANCOCK. That is what I mean.

Mr. FRISBIE. That is right.

The CHAIRMAN. Of course, the way it would be worked out is entirely a matter to be decided by the Authority, and naturally they would not conduct experiments in any one class, of a necessity, or any one district, but would undertake to conduct their experiments in such a way that they would have the desired information touching all classes and conditions.

Mr. FRISBIE. That is right, sir.

Now, with respect to the municipal contribution, I want to show you what we do in that respect where we have the law which enables us to do it.

In New York City on the Williamsburg project, there we have a project with a proposed cost of $13,000,000. The annual taxes amounting to $350,000, or $4.80 per room per month——

Mr. MCGRANERY. Right there, Mr. Frisbie—the city of New York deferred those taxes.

Mr. FRISBIE. That is right, sir.

Mr. MCGRANERY. Now, in that tax situation in New York, does your real-estate tax include your board of education?

Mr. FRISBIE. Yes, sir.

Mr. MCGRANERY. It does?

Mr. FRISBIE. Yes; it does, and it includes water.

Mr. MCGRANERY. It includes water?

Mr. FRISBIE. Waterworks is set up separately.

Mr. MCGRANERY. Waterworks is set up separately?

Mr. FRISBIE. Yes, sir.

Mr. MCGRANERY. And water rent likewise is reduced by the city of New York.

Mr. FRISBIE. The New York City Housing Authority.

Now, then, the net results of this is that a total of tax deferments during the period of amortization amounts of $21,000,000.

The Government having originally put up $13,000,000, there is provided an amortization of the thing through the deferment of its tax, which has added $21,000,000. In addition to that, the city gave 10 acres of streets, approximately one-third of the area; parks, building, and maintaining and operating at a cost of twenty thousand a year for this project. They have built a school on the project costing a million and a half dollars. They are supplying a kindergarten and health clinics in addition.

In the city of Schenectady, where we have a——

Mr. MCGRANERY. Before you leave that, Mr. Frisbie, do you, in your judgment, consider that a substantial contribution on the part of the city of New York toward the project?

Mr. FRISBIE. I should say a very substantial contribution.

Mr. MCGRANERY. I would say so, but I wanted it in the record.

Mr. CRAWFORD. You are speaking about the Williamsburg project?

Mr. FRISBIE. Yes, sir.

Mr. CRAWFORD. Then, I understand the cost of the Williamsburg project is around $21,000,000 instead of $13,000,000.

Mr. FRISBIE. $13,000,000 plus $21,000,000.

Mr. CRAWFORD. For the 1,600 homes.

Mr. FRISBIE. That is right.

Mr. CRAWFORD. In other words, $37,000,000 is the cost for the 1,600 units.

Mr. FRISBIE. But, I think I said that the actual cost of the project as paid by the Government is $13,000,000.

Now, in the city of Schenectady, in order to reduce the rents on that project, the city is making a contribution over the period of 60 years of $21,000,000.

Mr. CRAWFORD. That is what I wanted to make clear.

Mr. FRISBIE. Now, in the city of Schenectady we have a Federal Housing Division project for which the limitation was $1,500,000, and the amount for the site $69,000.

The city's contribution through taxes, tax exemption, over the period of amortization will be $2,100,000.

The cost of development was $50,000, approximately.

We gave a third of the site and closed streets also, and gave them to the Government at a value of $75,000.

We canceled unpaid street improvements, assessments, in the area in excess of $35,000, and the city absorbed that, adding it to the tax rolls.

We made other contributions totaling $25,000.

Mr. MCGRANERY. In the neighborhood of how much? What is the total?

Mr. FRISBIE. $2,260,000. That is our contribution on the $1,500,000 Federal fund.

Mr. McGRANERY. Is there any city, Mr. Frisbie, wherein housing projects have been in operation that the municipality itself has not made some substantial contribution?

Mr. FRISBIE. I am sorry, Congressman, but I cannot answer that question; but I think that in every case they have.

You see, we have a very small number of Federal projects in operation already; but I believe all of them, so far have. They have done whatever they could.

Mr. LUCE. Have you built schools in that district?

Mr. FRISBIE. In New York City they have built a school costing $1,500,000 for this particular Williamsburg project.

Mr. REILLY. They would have had to build them anyhow if they had stayed in New York City?

Mr. FRISBIE. No; they would not.

Mr. LUCE. Why not? How could they have educated the children?

Mr. FRISBIE. You remember that the distribution of schools through the city——

Mr. LUCE. Provision must be made and it cost as much in one place as another.

Mr. FRISBIE. Yes.

Mr. LUCE. I do not want to embarrass you, but in including expenses contributed by the city, those have to be included.

Mr. FRISBIE. That is true. But, in the areas from which the population comes which is going into this project, or from which the people are drawn, there were apparently ample schools; but when you transfer that population from those areas where there are ample school facilities into others, that is a different proposition.

Mr. McGRANERY. Do you know, Mr. Frisbie, whether or not at the time the project was in contemplation that there was an agreement with some housing authority on the part of the city of New York whereby it agreed to erect that school?

Mr. FRISBIE. I would have to ask Mr. Post to answer that question.

Mr. POST. The school was built as a condition precedent.

Mr. McGRANERY. That is what I thought. If the project had not been commenced, the school would not have been erected.

Mr. POST. That is true; it was built as a condition to getting the project.

Mr. McGRANERY. That is true.

Mr. LUCE. Would you renew that last again; let me inquire about that, because that is something which is a very important phase on the problem.

Mr. FRISBIE. You mean with respect to the contribution made by New York City, sir?

Mr. LUCE. By any city.

Mr. FRISBIE. There was a tax exemption of $21,000,000 over the period of 60 years; there is a tax exemption, and the tax exemption will amount to $350,000, or $4.80 per room per month.

Mr. LUCE. Now, where the slums are to be replaced with other buildings, there will be additional taxes, will there not? In other words, is there any net loss to the city? That is what I am trying to find out.

Mr. McGRANERY. Yes.

Mr. FRISBIE. I assume that there is on that, is there, Mr. Post?

Mr. POST. Yes.

Mr. LUCE. I am talking about the whole layout over the country. My interest is in part due to the fact that I represent, in part, the city of Cambridge, where one of these slum-clearance projects is being put through and there is a great row over this very question, which gives me a personal concern about this matter as to the city's contribution and the cost to the city.

Mr. FRISBIE. Well, Mr. Luce, here is the answer to that thing. I believe there is an immediate loss to your tax roll of the slum property cleared.

For instance, in Schnectady we lost $35,000 a year on an area which went into this Federal-city project. That is, taxes we previously collected; but we had been spending more than that. We had been subsidizing that slum district through our city welfare department, health department—city nurses—and all of those things which have to go for a thing like that. We had been subsidizing it. We had been subdizing it through agencies maintained by our community, such as the community chest. We had been subsidizing these areas by different organizations in the city. We are more than ahead. We are more than ahead of that deficit in that area, having cleared out that slum district.

Mr. McGRANERY. That is as a result of exempting it from taxes.

Mr. FRISBIE. Exactly.

Mr. HANCOCK. You were listing that school building as a local contribution. How was that built, with local funds?

Mr. POST. It was a P. W. A. loan.

Mr. LUCE. What were the other things there that you spoke about?

Mr. FRISBIE. The city is developing a park system, and playgrounds in the immediate vicinity and maintaining them at a cost of $20,000 a year.

It also is maintaining a kindergarten.

Mr. LUCE. How are they getting the kindergarten; is there any gain or loss there?

Mr. FRISBIE. Any what?

Mr. LUCE. Any gain or loss in kindergarten matters. That has simply been transferred from one locality to another, has it not?

Mr. FRISBIE. I assume that it is entirely new.

Mr. POST. It is an entirely new kindergarten. There never was one there before. It is entirely new.

Mr. McGRANERY. That was a condition precedent to the erection of this project?

Mr. POST. No; not a condition precedent, but merely a policy which we have adopted there, though, that there should be a day nursery in all projects.

Mr. LUCE. Is it not true that if a kindergarten were needed and justified, that it would have been built, and that it is not proper to enter it as a debit or a credit against this?

Mr. POST. So far as the city is concerned; but it is a cost to the city to operate.

Mr. LUCE. Well, you ought to have had it there in order to take care of the children anyway.

Mr. POST. It ought to have been there; there ought to have been a kindergarten there, but there was not a kindergarten or a day nursery there, and it is actually a cost to the city. It is something that is

contributed by the kindergarten association. It is a contribution by civic associations in the city that does run these kindergartens, or what you call day nurseries.

Mr. LUCE. While it is perhaps a contribution, do you think that that is properly charged or credited against the act here? Go on.

Mr. MCGRANERY. May I ask there, Mr. Post, is that the place where the women who are forced or compelled to go to work, take their children and leave their children there while they are at work and then go down in the evening and get them?

Mr. POST. That is right.

Mr. MCGRANERY. Pick them up at night and go home?

Mr. POST. Yes, sir.

Mr. HANCOCK. Your answer, then, is that these constitute contributions on the part of local authorities, but they are merely voluntary?

Mr. POST. Well, they are voluntary, if you like; yes.

Mr. HANCOCK. There is nothing in the law that requires you to agree to do these things before you can receive Federal assistance, is there?

Mr. POST. No; so far as the tax action is concerned in New York City, there is a provision whereby we are tax exempt by law. So far as schools are concerned, that was a condition precedent.

So far as the closing of the streets and contributing 30 percent of the land, the 10 acres, that was a condition precedent.

So far as the kindergarten is concerned, that is not a condition precedent. That was a voluntary contribution.

So far as the health center is concerned, that is also a contribution on the part of the city.

Mr. MCGRANERY. And they may be considered a quasi-legal obligation on the part of the city? That is, if they have not performed those duties the houses would not have gone through under this program.

Mr. POST. That is right.

Mr. HANCOCK. And it was essential to round out the projects, and a service all communities must furnish to its citizenship as they are able to do so.

Mr. REILLY. Right there. What was your net cost of that project?

Mr. FRISBIE. Williamsburg?

Mr. POST. Williamsburg.

Mr. REILLY. Yes.

Mr. POST. Per room?

Mr. REILLY. Your net cost.

Mr. POST. You mean by apartments?

Mr. REILLY. Per unit.

Mr. POST. Well, it ran from $4,000 for a two-room to about five or six thousand dollars for a three- and four-room apartment. With the land, it comes to about $2,200 a room, with the land.

Mr. MCGRANERY. But that you consider extremely high?

Mr. POST. I do; very high.

Mr. FRISBIE. Now, in Cleveland, they vacated streets; the city of Cleveland turned over to the Government the streets, and they constituted a considerable part of the area. The city of Cleveland also waived damages for abandonment of its utility lines. It

charged $16,000 taxes on the property instead of $150,000 in taxes, which it yielded before.

The increased recreational facilities, and so forth, in connection with the housing project in the area, and in every other city of which we have information, the taxes have been reduced on the Government property to a nominal amount, nominal sum, what they call a service charge.

So that your cities are going just as far as they can under the constitutional provisions of their States and their financial circumstances at the present time.

Mr. REILLY. Should not Congress await the change of the constitutional provisions of those States in order that they may come within this grant?

Mr. FRISBIE. Congressman Reilly, I do not think so, and I will tell you why.

We have this very question coming up in New York State next year. We have our State constitutional convention next year, and committees are at work drafting the suggestions for amendments to the new constitution. We have a committee on housing. It wants to recommend such legislation as we are going to need in the State of New York to conform to the national housing program, and if we do not know what that national housing program is, by the time this Congress adjourns, we do not know what to recommend to our constitutional convention.

The CHAIRMAN. Let this Congress lay down the program and the States and cities can get ready to participate in it?

Mr. FRISBIE. If this Congress in its wisdom sees fit to lay down whatever program this Congress sees fit to lay down for the Nation, the State of New York in its constitutional convention certainly will try to conform to it. There is no doubt about that. But I am answering your question as to why we feel that the Congress should act before the States.

We have to go to Washington.

Mr. REILLY. But if Congress fails in this program, then you will not have to do anything.

Mr. MCGRANERY. Mr. Frisbie, if we wait for the States to act in some uniform measure, first of all there will be some of the States whose legislatures will not meet for the next 3 years, perhaps.

Mr. FRISBIE. That is right.

Mr. MCGRANERY. So what will become of some of these properties you have seen within the next 3 to 6 years?

Mr. FRISBIE. What will become of them?

Mr. MCGRANERY. Yes; at the rate they are falling down.

Mr. FRISBIE. Well, they will either fall down or burn up. That is all there will be to that.

Mr. HANCOCK. I wish that you would tell us what kind of a program did the States have in mind that the Federal Government would adopt when they undertook to pass the necessary law for creating housing authorities?

Mr. FRISBIE. A program essentially like this, if you want it: I think it is perhaps helpful that we go into that situation which resulted in the creation of these housing authorities.

When the President set up the National Industrial Recovery Act he included in it housing and slum clearance, and he differentiated

between housing and slum clearance. He said they are not essentially the same thing; they can be done together or they can be done separately, and one need not involve the other under the provisions of that bill, the act as he set it up, the law contemplated that the States would create housing authority laws; the cities would set up municipal housing authorities and the construction of housing and the clearance of slums was to be carried out upon the basis of a 50–50—let us see—45–50 basis—the work to be done by the local authorities. That is, the authority was to come down to Washington, get projects approved, the money to be made available to the local authority, and they were to go ahead and carry out their plans, and as fast as they completed a part of the project, the architect's certificates and so forth were obtained for completion of so much of the job they could come down to Washington and the Treasury would send the money to Schenectady, Yonkers, or Portland, or what have you, to pay for it.

So we started in immediately in 1934—that was the summer of 1933 that came up—we had absolutely no legislation in this country to carry it into effect. There was only one city really that could operate under that thing at that time, and that was the city of New York, and they were not very well fixed.

In January 1934 the Legislature of the State of New York under the insistent appeal of the President created the New York State housing authority law. In February, the first housing authority came into existence in Schenectady. It was followed in a few weeks by New York City and other cities—Syracuse, and so on.

Then other States began to create their housing authorities, but still we did not get ahead fast enough.

Then we came to 1935, I think it was, when we passed the $4,800,000,000 relief bill, and the President, while that bill was under consideration in the Senate—there was a long fight going on in the Senate—the President issued an appeal to the Governors of every State in the United States and to the mayors of every city in the United States, to see that housing authority laws were passed by the States and housing authorities set up by the cities to carry on this program of housing and slum clearance. And 51 of these authorities have come into existence in 31 States of the Union and cities have appropriated money for the maintenance of these authorities.

The members of the authorities serve without pay, but they have to have staffs to carry on research work; very extensive research work, which is required to justify a program, and they have spent—we have spent in Schenectady in the past 4 years $50,000 in research work so that now today we are able to say we have at the present time 15 habitable vacancies in the city of Schenectady, for that kind. We know the trend in our wards. We know whether a particular block is a deficit block or whether it is paying its way. We have that kind of a study for the whole city.

Mr. WILLIAMS. Under that plan the authorities had to put up 50 cents of the dollar?

Mr. FRISBIE. The Government makes a grant of 55 percent and a loan to the local housing authority upon the bonds of the local housing authority, for the balance, the 45 percent.

Mr. WILLIAMS. They have to put up, and in other words, they are financially responsible?

Mr. FRISBIE. Financially responsible.

Mr. MCGRANERY. Under the plans carried out in New York and Schenectady—speaking now of the city of New York—the communities there will have perhaps more money than the Government in the project.

Mr. FRISBIE. That is right.

Mr. MCGRANERY. By far, at the expiration of this period.

Mr. FRISBIE. That is right.

Now, this program generally—were you through, Congressman?

Mr. MCGRANERY. Yes.

Mr. FRISBIE. This program I have just outlined to you ran into legal difficulties right away and we had no more than gotten our projects down here to Washington and gotten the work well under way when, I think it was the Comptroller General, ruled that they could not handle this matter this way; they could not advance the money to the cities; that the whole thing had to be done through the Housing Division of the Public Works Administration in Washington.

The President, with his well-known views on decentralization of things of this kind, and his long experience as Governor in New York, with our municipalities, wanted it put right in the neighborhood where the work was done; but the Federal law would not permit him to do so, so he had to centralize that thing in Washington.

Then, the next thing was that instead of the authorities having the title to this thing and being able to borrow the 55 percent, through other rulings of the Comptroller General, the situation was changed whereby the Government had to take the title to the property and retain the thing and complete the job, and then charge off on their books 45 percent; and that is the situation that we finally came to today, where they are completing these projects, and instead of being turned over to the municipal authorities for management and operation, the Government of the United States has got to go into the city as a landlord.

Now, that is not so in the city of New York.

Mr. WILCOX. The local authority could not take charge of anything until the law was amended; that prevented progress until you got past that, did it not?

Mr. FRISBIE. That started a good deal of it out, but there are still legal questions in there.

Mr. HANCOCK. The George-Healey bill did help considerably?

Mr. FRISBIE. It helped considerably.

Mr. WOLCOTT. You made a very interesting statement there just now. Is it your thought that the President is convinced that we should have a decentralization of this activity?

Mr. FRISBIE. I am absolutely convinced of it.

Mr. WOLCOTT. Do you not think that this bill as presented to us centralizes instead of decentralizes?

Mr. FRISBIE. No, sir. If I did I would not be here talking for it.

Mr. WOLCOTT. Do you not think that it could be made a bill which would decentralize this relief by asking the States or the municipalities to exercise some jurisdiction over these projects and also make some contribution toward them?

Mr. FRISBIE. Projects contemplated by this bill?

Mr. WOLCOTT. Yes. It seems to me that the President's idea of the outright grants for this purpose, perhaps would bear out the fact that you are convinced that he wanted to decentralize the power; but this bill is contrary to the President's wishes; he even goes so far as a threat of veto if it is passed in this form. It would centralize all these activities under this authority here in Washington.

Mr. FRISBIE. Why, Congressman, I do not think that is quite clear to you. The process under which a project would be set up and what would be the result——

Mr. WOLCOTT. I thought that it was clear, but I have a great deal of interest here to find out whether I was right or whether the President is right in this.

Now, the President has said that he wants 40 percent granted to localities for the purposes of this bill. Senator Wagner and Mayor LaGuardia, whom we had presumed up to the last few days spoke for the President in this respect, want contributions over a period of 60 years.

Now, we are trying to find out here what we should do in that respect; whether we should follow the President's advice and pass this legislation with this threat of a veto hanging over it, because the President in a press conference on June 8 had said he had turned thumbs down on any bill which would allow contributions to be made over a 60-year period.

I think that we should know and my point is that the administration should inform us in some manner what its policy is going to be concerning the bill.

We are all in favor of relieving these people. We are all in favor of slum clearance. We do not want to make any more fools of ourselves than we have in years gone by by passing legislation which we thought followed the intent of the administration only to have to repeal it, and especially in the face of the fact the President has virtually given notice that he would veto this act if we pass it in its present form.

Mr. TRANSUE. Well, Mr. Wolcott, I wonder when you say we are for this bill and we are for this legisation, if you are speaking for everyone the same as Mayor LaGuardia and Senator Wagner were speaking for the President.

Mr. WOLCOTT. No; because I do not think now they are speaking for the President in this respect; in respect to the bill. Mr. McDonald, of the Federal Housing Administration, was here yesterday, and if there is anyone who has a right to speak for the President it is Mr. McDonald, as they have been very closely affiliated throughout the whole subject. Mr. McDonald was unable to speak for the President on the bill. So we have not had anybody up to the present time, anyone in authority who claimed that he spoke for the President on this bill; but we have the President stating at a press conference that he will not accept any bill which carries the idea of subsidies over the 60-year period of time.

Mr. FRISBIE. I want to say that I do not presume to speak for the President in any way. It is needless to say that, but let us get it in the record.

It was in June, Congressman, that the President had that interview with the press. Subsequent to that time there were a number of conferences between Senator Wagner and Mr. Morgenthau and the President relative to the form which this legislation should take and eventually, so I am informed, this bill in the form and substantially the form in which it was reported by the Senate committee, was understood to have received the approval of the President.

Mr. WOLCOTT. Who informed you as to that?

Mr. MCGRANERY. I have seen it in the press.

Mr. FRISBIE. Why, that is what I was going to say. It is commonly reported in the press.

Mr. WOLCOTT. Wait a minute. I think that we should get the witness' testimony straight on that.

From your information, you think that is correct?

Mr. FRISBIE. I am satisfied it is.

Mr. WOLCOTT. The reporter who was here yesterday has my notes on it, but I am informed by the press as late as day before yesterday, that the President had not changed his mind on that and neither has Secretary Morgenthau, and they look with some alarm upon this activity of the Senate and this committee in writing into a bill a principle of subsidizing covering a 60-year period of time.

Now, heretofore, all of the days since I have been in Congress, since the President has been in the White House, I have tried to reconcile my thoughts with his. Frequently I have not been able to vote along with him, but I had hoped in this respect the President and the Republican side of this committee could go along together, get together, on some bill and accomplish the purposes of the bill without too much strain on the Federal Treasury and that is apparently the way the President and Mr. Morgenthau feel about it.

I think that when you made the the statement that the President was attempting to decentralize the authority and try to justify it by having us pass this bill, I think that you contradict your own statement by it. As I understand this bill is a bill which will probably go further in the centralization of power over relieving these housing conditions than almost anything which we have ever had before the Congress during the last 4 years.

Mr. FRISBIE. I do not so interpret the bill.

May I offer this suggestion along that line as to why I do not interpret it that way?

Mr. WOLCOTT. Yes.

Mr. FRISBIE. During the past 3 years, due to the unfortunate condition in which the Federal laws were, which I just referred to, the plan of operations of housing and slum clearance as originally contemplated was upset and housing authorities could do nothing more than sponsor a project. That is all they have been able to accomplish.

Mr. MCGRANERY. Did you ever discuss this in any shape or form with the President?

Mr. FRISBIE. Not myself; no, sir.

Mr. MCGRANERY. Do you have any idea from what you have seen of the President what he thinks about this bill, anyway at all?

Mr. FRISBIE. Well, I think I have.

Mr. MCGRANERY. You think that you have?

Mr. FRISBIE. Yes, sir.

Mr. WOLCOTT. That is fine. I think that that is the information that we want.

Mr. McGRANERY. Just a moment.

Mr. WOLCOTT. You have some authoritative information?

Mr. McGRANERY. From other sources than the President, Mr. Frisbie?

Mr. FRISBIE. Yes.

Mr. WOLCOTT. If he has that information, those are the facts that we want.

Mr. McGRANERY. Let us have that.

Mr. FRISBIE. But I do not want to be considered as quoting the President to you.

Mr. WOLCOTT. Mr. Frisbie, you said that you had information other than what you had received from the press. After you stated that, I was anxious to know whether the information that you had gotten bore out the fact that this legislation which we are considering here today had the approval of the President.

Now, I do not want to be put in the position of a prosecutor cross-examining you, but we really are concerned about the administration's policy, because we have set up in the last few years five different agencies, all of which we thought had something to do with slum clearance and as yet we have to determine what the administration's policy is concerning slum clearance.

Mr. McGRANERY. My question, Mr. Frisbie, is, What is the source of your information?

Mr. WOLCOTT. That is what I want.

Mr. REILLY. Mr. Chairman, I think that we are wasting a lot of time. Mr. Wolcott seems to be much concerned about the political aspect of it.

Mr. WOLCOTT. It is not a question of politics.

Mr. REILLY. I suggest that we go along and write our own bill.

Mr. WOLCOTT. That would be fine. Then let us dismiss our witnesses and sit around the table and write our own bill. But if we are to have witnesses, I think that we should bring out from the witnesses the information they have.

Mr. REILLY. I know that this has been in the press. You cannot get anywhere with that.

Mr. WOLCOTT. I am trying conscientiously to find out what the administration's concept of slum clearance is, and so far there has been no witness before this committee who could speak for the administration.

Mr. FRISBIE. Have you asked the President?

Mr. WOLCOTT. I have previously several times written him for information, and I have yet to get my first reply from him. Unfortunately, so far as he is concerned, I am a Republican.

Mr. McGRANERY. Mr. Chairman——

Mr. WOLCOTT (continuing). And I have decided that I do not want to waste my secretary's time or my own any further attempting to get any information from the President on any subject.

Mr. McGRANERY. Mr. Chairman, I have asked the witness a question. I do not feel that the witness has already said that he has never discussed this with the President and naturally he left the question open that might indicate that maybe perhaps he did in some way, so I think that the record ought to be clear as to what the source of your information is.

Mr. FRISBIE. My information does not come from the President personally.

Mr. McGRANERY. Well then, that is all.

Mr. WOLCOTT. Well, who is it from? We have numerous representatives of the President, speaking for the President and we want to know whether the information came from any of those claiming to be speaking for the President on this question of policy.

Mr. McGRANERY. He never talked with you about it?

Mr. FRISBIE. No, sir; he never did. I do not want to be put in that position.

Mr. WOLCOTT. I insist that the gentleman be given an opportunity to pursue his statement. That is a moot question as to whether or not the President does or does not favor this. That is a matter that his committee can determine, as to whether or not the present bill is one that we want to pass upon, or whether we want to write our own bill. Let us get the views of the witness on the subject.

Mr. Chairman, I think that I am perfectly within my rights and proper bounds in requesting an answer to the question. He left the inference here that the President favored this bill. He says that it comes from some source, and I think that we have a perfect right to know what source that information comes from. If it embarrasses Mr. Frisbie, I simply will not press my question, if he makes the statement that it is embarrassing, or might embarrass the President, because as a Republican, I want to assure you that I do not wish to embarrass the President of the United States.

The CHAIRMAN. I thought that this might end without my saying anything. It seems that it will not.

The fact of the matter is that the President has said over and over again to the country, as well as to individuals with whom he has talked that he thought that we ought to have housing legislation during this session of Congress. He has not undertaken to say just which bill that has been proposed should be adopted or whether any bill that has been proposed should be adopted and I will go further and say in that connection, I have talked with the President myself about this legislation and he has not undertaken to say just what bill should be adopted.

Mr. WOLCOTT. Now, we are getting somewhere.

The CHAIRMAN. Or just what the bill should contain, that, of course, being left to Congress; but he has insisted repeatedly that we should have housing legislation during this session.

Mr. WOLCOTT. Mr. Chairman, I regret to take issue with my esteemed chairman with respect to the statements on the part of the President, because from what we all read in the papers, as a result of press conferences, and I believe that we give the press credit for being sincere and honestly interpreting the President's remarks, at these press conferences——

The CHAIRMAN. What I am saying is what he has said.

Mr. WOLCOTT. As a general statement, we all agree that the President is much concerned about housing legislation.

The CHAIRMAN. What I am saying is authoritative insofar as I have gone and covers substantially conversations I have had with the President about this legislation. That is what he has said to the country and what he has said to me.

Mr. WOLCOTT. We all agree that the President is much concerned about housing conditions, as is this committee.

Mr. TRANSUE. I think more so.

Mr. WOLCOTT. But the President, at any rate, has stated to the press a policy as to the manner of giving this relief, and now his reputed spokesmen take a contrary attitude, and so I think it is the duty of this committee to reconcile those differences. If Mr. Frisbie has any information which is helpful to the committee, I think that we should have it. If it is going to embarrass him, however, I do not want to embarrass him. I do not want to embarrass the President.

I wish that the President would write the chairman of this committee a letter and tell this committee, as he has on frequent occasions, tell this committee where he stands on this legislation and how he wants it administered.

Mr. HANCOCK. I think that the chairman has stated very clearly the attitude of the President toward housing legislation.

Mr. FORD. If you want the President to become a dictator, which is strange Republican doctrine, very well.

Mr. SPENCE. And just have us quit.

Mr. WOLCOTT. Do not believe that I am "kidding" about this. I do not mean for this to be political, because I suspect that I will be outvoted on this if it comes to a vote.

The CHAIRMAN. No; you know you will not. Of course you are going to vote with us!

Mr. WOLCOTT. I may not.

The CHAIRMAN. I think that you are going to vote with us.

Mr. WOLCOTT. With the majority of the committee.

The CHAIRMAN. Yes.

Mr. WOLCOTT. And I know that the majority of the committee is going to vote as the President would want them to vote, and I, for once in my life, want to go along with the President of the United States, and I am trying to reconcile all of the different points of view concerning the machinery to be set up to do it.

Mr. FRISBIE. To just give you a sort of final answer to your question as to the source of my information, I may say that we were very frequently, those of us who were connected with the drafting of this bill, we were very frequently called in consultation by representatives of the Treasury and in those conferences, you might say, that the press was not invited. It was generally understood that what took place in there was not to be given out in the form of an interview afterward.

And, in those conferences, representatives of the Treasury would say to us, "The President said so and so." Similarly, in conferences with Senator Wagner and others interested in this legislation, the statement would be made to us.

Now, I have talked with the President about this, and as Mr. McGranery said, there were press releases. And, the fact is that the President had talked with Senator Wagner. And a little more confidential information perhaps was given to us than appears in the press.

Mr. MCGRANERY. You are simply confirming Shakespeare's statement about much ado about nothing.

Mr. WOLCOTT. Of course, you may consider it much ado about nothing, although we take it very seriously.

This bill was introduced on February 24, so it must have been previous to February 24 that you had these conferences with the Treasury representatives.

Now, as late as June 8, the President has indicated a policy directly contrary to that. Do you care to try to reconcile that situation?

Mr. FRISBIE. Yes; I do, sir, because it was along all through the month of June we were having these conferences with the Treasury. In June we brought the representatives of the housing authorities to Washington.

Mr. WOLCOTT. I wonder if this legislation is not in about the same situation as the bill establishing the Federal Deposit Insurance Corporation which we passed out of this committee some time ago, which was prepared in such a manner that the President, if it were successful, could claim the credit for it, but if it were a failure, he could pass it on to our esteemed chairman and the Finance Committee of the Senate.

But go right ahead; go right ahead.

Mr. TRANSUE. And let me say for the record right here, as he knows in our State, one who was trying very hard all during that campaign to take credit for bank-deposit insurance was the senior Senator from the State of Michigan, Senator Vandenberg.

Mr. WOLCOTT. I might say to my colleague from Michigan that I am sure he recognizes that if it had not been for the senior Senator from Michigan, Senator Vandenberg, and our esteemed chairman of this committee, there would have been no Federal deposit insurance. I believe that that is generally recognized by the Members of Congress who were here at that time.

Mr. TRANSUE. It is my recollection that it was a lot of Democratic votes.

The CHAIRMAN. Gentleman, may we not get back to this bill?

Mr. FRISBIE. I would like to get down to decentralization.

The CHAIRMAN. Will you not address yourself to this bill?

Mr. WOLCOTT. I merely want him to be given an opportunity to give us the information which I have requested.

The CHAIRMAN. That is all right, but we just want to get to the end of this at some time, and we are going over the same thing again and again.

Mr. HANCOCK. I would like to ask the witness a question concerning the practical administration of the bill and as to the operation of one of these projects. In other words, suppose that you go into a community where there is a group of people who will be able to pay $5 a room and you have another group who would be able to pay $4 a room; and you have another group who would not be able to pay more than $3 a room. Would you mix them up in the same housing project or would you have a project to take care of those who were able to pay $3, those who were able to pay $4, and those who were able to pay $5?

In other words, would there be tenants in the same project, housing project, paying different rents? Wouldn't that cause rancor or friction and dissatisfaction?

Mr. FRISBIE. That would depend upon the size of the units. On the basic unit-price per room they all pay the same rents. That is clear? That is, you would pay $5 a room for 3 rooms, or you would pay $5 a room for four or five roms.

Mr. HANCOCK. The cost per room would be the same to all of the tenants?

Mr. FRISBIE. That is right.

Mr. HANCOCK. That is right?

Mr. FRISBIE. That is an awfully hard question to answer.

Mr. HANCOCK. I have found that it is awfully hard to get it straight in my own mind as to just how it would work.

Mr. FRISBIE. For this reason: You have your multiple-unit projects, and you have your individual detached-housing-unit projects.

Now, there might be a differential. There might be a differential of 50 cents per room per month, or $1 per room per month as between a three- and a four- and a five-room detached house.

Mr. WOLCOTT. You would give every tenant occupying the same character and type of room his house for the same price?

Mr. FRISBIE. So far as we could; just as far as we could.

Mr. HANCOCK. Well, suppose that John Smith's family is living there [indicating] and Bill Jones' family is living over here. Both are occupying the same kind of a dwelling, the same kind of apartment in the same Government project.

Mr. FRISBIE. Yes.

Mr. HANCOCK. One is paying $4 and one is paying $2.75 per room per month. Do you not think this would cause friction and dissatisfaction?

Mr. FRISBIE. A situation such as you have outlined there could not occur.

Mr. HANCOCK. All right.

Mr. WILLIAMS. What are you going to do there? I have been thinking about just the same thing which Mr. Hancock has asked you about. What are you going to do with the man who cannot pay $4?

Mr. FRISBIE. Congressman, we are reaching down, the housing authorities are reaching down to the lowest possible income level that represents a level that we can go to. Now, beyond that, and below that, we recognize, just as you gentlemen do—I have listened to your questions here during the last 3 days while these hearings have been going on. You have recognized that there is no bottom level, you may say. It just goes down, down, until there is not any income.

There is a low level of income somewhere between I should say $16 to $20, let us say under $16 a month, where the family in that group becomes not a housing problem so much as they are a relief or a social problem.

Mr. WILLIAMS. We are talking about a ceiling price here all of the time. I have had in my mind that there ought to be a floor price, too.

Mr. FRISBIE. That is right.

Mr. WILLIAMS. What is the limit between which we should go, the ceiling and the floor?

Mr. FRISBIE. That depends upon your city again.

Now, in my city, I would say from $16 to $20 a month. There is a small up-State New York city. In Syracuse we are striving for rents from $16 to $20 a month.

Now, below that, we consider the people as relief and social cases.

Mr. WILLIAMS. What is your low income per family; what do you consider it, between what levels? What, so far as income is concerned?

Mr. FRISBIE. From $1,000 down.

Mr. WILLIAMS. That would be, for one to be eligible for one of these so-called housing projects.

Mr. FRISBIE. From $1,000 a year down to about $750 or $800.

Mr. WILLIAMS. That is between rather narrow limits. They must be between $1,000 and $750?

Mr. FRISBIE. Yes; that is right.

Mr. HANCOCK. In other words, a person receiving an income of $500 or less would not be eligible for one of these projects?

Mr. FRISBIE. I am afraid not.

Mr. HANCOCK. In other words, that would not be a family which was able to pay the necessary rent. They would have to find shelter elsewhere——

Mr. FRISBIE. Not in my city, sir. Not in my city.

Mr. WILLIAMS. You recognize the fact that there are thousands and thousands of people in this country whose income is below the $750 level?

Mr. FRISBIE. Congressman, I know if you take the country by and large there would be millions of them. We all know that. I cannot give you the exact figures. They are astronomical as Mr. Hoover used to say, and it is not easy to remember or easy to handle, but we know there are millions of them. But they are distributed. They are distributed. For instance, you have this thing: On the farms there are a great many people who live on the farms who are included in that level.

Mr. HANCOCK. Let me ask you this: Is it your opinion, under a practical operation of this bill as drafted, that no family who has an income of $700 or less in the larger cities would be eligible for subsidized rent?

Mr. FRISBIE. Congressman, when you ask about large cities, I prefer to have you ask Mr. Post, who is familiar with the conditions in the large cities and can answer that.

I have specifically concerned myself with the slum-clearance program and housing program in the city of Schenectady.

Mr. MCGRANERY. Mr. Frisbie, is it not a fact that the reason it is hard to determine just what might be a low-cost housing proposition for people of low income—it is not by reason of the fact they have fancier houses or fancier apartments; but the ground value is quite a determining factor in these cases.

Mr. FRISBIE. That is right.

Mr. HANCOCK. Let me ask you another question.

Mr. MCGRANERY. In other words, a piece of ground in the city of New York might have a value of $3,000,000 or $4,000,000, and in some other smaller locality it may be obtained for several thousand dollars, the same quantum of ground in perhaps the same location, by comparison, in that other city. Is that not true?

Mr. FRISBIE. That is true.

Mr. HANCOCK. Now, let me ask you this question. Assuming that the Federal subsidy would be approximately 50 percent, what is the limit of income of people or families in Schenectady that would be eligible for Federal assistance under this bill?

Mr. FRISBIE. About $35 to $40 a week.

Mr. HANCOCK. No; that is not my question.

Mr. FRISBIE. Let me put it this way.

Mr. HANCOCK. Would a family with an income of $1,000 living in Schenectady be eligible for subsidized rents under this bill?

Mr. FRISBIE. I see what you are talking about. That is, to the one and five, as to that one project. $16 a week——

Mr. HANCOCK. What?

Mr. FRISBIE. You mean under the Wagner-Steagall bill, the provisions of the Wagner-Steagall bill?

Mr. HANCOCK. Yes.

Mr. FRISBIE. Yes; a $16 family.

Mr. HANCOCK. What do you mean by a $16 family?

Mr. FRISBIE. $16 a week.

Mr. MCGRANERY. A thousand dollars per annum represents approximately $20 a week.

Mr. TRANSUE. You mean $16 a week?

Mr. FRISBIE. Yes.

Mr. HANCOCK. A family with $800 would not be eligible?

Mr. FRISBIE. Yes; from say, families up to $1,000, and from about $1,000 down to about $700 or $750 would be qualified under this bill in Schenectady.

Mr. HANCOCK. What I am trying to get in my own mind is an estimate. The rooms for dwellings to be built under this bill would cost approximately $1,000 a room and over a period of 60 years the occupants are to be subsidized. There is a maximum amount that can be used for subsidies. Under the program, would a family with $700 be eligible for subsidy in Schenectady?

Mr. FRISBIE. I do not think that they would need a subsidy for them in Schnectady.

I think in Schenectady we can build these things cheap enough, and in many other cities in the country, we can build these things cheap enough so that will not be required. I am sure that we can in Schenectady.

Mr. HANCOCK. Do not the class of people in this country with the lowest income need the first assistance and need it most?

Mr. FRISBIE. Mr. Congressman——

Mr. HANCOCK. Surely you can answer that question without difficulty——

Mr. FRISBIE. When you get down to that question, Congressman——

Mr. HANCOCK. That is going to be thrown in our teeth every 15 minutes on the floor of the House.

Mr. FRISBIE. I know; but the minute we say "the lowest income", we get into all sorts of trouble.

Mr. HANCOCK. Then this bill cannot be made applicable from a practical standpoint to the families of America who are in the lowest-income brackets.

Mr. FRISBIE. Oh, yes, sir; it can be. We can fit it into any class.

Mr. HANCOCK. How can you fit it to the lowest-income class?

Mr. FRISBIE. Yes.

Mr. HANCOCK. You can always look for a maximum subsidy. And you say you can build the type of houses that would last for 60 years?

Mr. FRISBIE. Yes; I believe that we can. Now, I am speaking of my own community.

Mr. BROWN. What percentage of the people residing in the slum areas have any positions at all? What percentage of them have anything that brings in any income?

Mr. FRISBIE. Well, I would say probably 65 or 80 percent, or perhaps more.

Mr. BROWN. Does that 75 or 80 percent have employment practically all of the time?

Mr. FRISBIE. Oh, no; oh, no.

Mr. BROWN. What percentage of the people residing in slum areas have employment all of the time?

Mr. FRISBIE. Maybe 50 percent, depending upon your conditions in the country.

Mr. BROWN. As a matter of fact, 50 percent of those people now residing in the slum areas would not be able to pay even $5 or $6 a month rent?

Mr. FRISBIE. Congressman, after all, we are dealing with individual cities, and in no two of them is the situation the same. We have cities with people living in slum areas employed in the industries and the factories in that location, receiving high wages, living in slum dwellings, because there is no other form of housing that they can get, and paying perhaps $50 and $60 a month for buildings which ought to be torn down.

Now, in other cities they may be able to find, as one of your Congressman spoke about, having these fine homes vacant in that city. I think it was Congressman Crawford who said that in his city they were able to find accommodations, good houses, and they have got no slum conditions. There is a totally different situation.

No two of these cities are alike. In no two of the cities is the situation the same. America is such a big country that to establish a national policy with respect to as intimate a thing as housing involves us in difficulties; we can just deal with generalization in the law.

Mr. SPENCE. What percentage of the people do you think in the low-income brackets would be helped by this law? Are not certain classes beyond any help because they cannot pay anything, no matter what is required? And how many people do you think there are in that bracket?

Mr. FRISBIE. I will try to have that question determined for you.

Mr. SPENCE. If we cannot take care of that situation, we cannot clear the slums. The slums have to remain there unless we take care of practically all of that.

Mr. FRISBIE. We can get rid of the slums. Slum reclamation is a very simple and easy thing to do. Now, Congressman, what we are trying to get at——

Mr. SPENCE. How would it be an easy thing to get rid of the slums if certain people cannot be benefited by this act and who are still remaining in the conditions that they now find themselves in? How can we get rid of the slums under those conditions?

Mr. FRISBIE. You have to rehouse them.

Mr. SPENCE. How are you going to rehouse them?

Mr. FRISBIE. It is being done constantly. In what I would call the normal city there is a constantly declining percentage of people leaving these slum areas. They are getting out and have been for years. And the places they are getting out of are being abandoned. They have gotten in such bad condition that the savings banks which usually own the mortgage on the houses have torn them down so that they will not have to pay taxes on them.

Mr. MCGRANERY. Mr. Frisbie, is it not a fact that most slum areas are located around large industrial plants and the houses are occupied by the factory workers, such as the garment workers, where they are employed, practically all of them, enjoy employment, and can pay a fair rent, but they have no decent place to live.

Mr. FRISBIE. That is true.

Mr. MCGRANERY. It is a matter of congestion.

Mr. FRISBIE. Principally.

Mr. TRANSUE. Someone said this morning that Philadelphia was getting rid of their slums.

Mr. Frisbie, would you say that the slums are not the cause of economic conditions of the people living in them but they live there as a matter of choice and not as the result of economic conditions which forced them into those particular sections?

Mr. FRISBIE. The economic conditions have more to do with it than anything else.

Mr. TRANSUE. Well, is not that the force which compels them down there to take the cheap rent?

Mr. FRISBIE. Surely.

Mr. TRANSUE. And if they are employed in a city there must be some place in the city where they can go where they could pay the rent for a suitable place to live.

Mr. FRISBIE. In a great many cities there are no places to go.

Mr. TRANSUE. Then that is, if they have the money and can pay the rent, is that not a proper thing for private enterprise to go into?

Mr. FRISBIE. The housing authorities of the United States would be delighted if private enterprise would take over the housing of the people in these lower-income groups, but they will not do it; they cannot do it.

Mr. MCGRANERY. Mr. Frisbie, these people can pay a fair rent. That is the point.

Mr. FRISBIE. Yes; most of them can.

Mr. MCGRANERY. They can pay a fair rent but they cannot pay exorbitant rents.

Mr. FRISBIE. I do not want you to get this situation confused with respect to this thing. But we have down at the bottom of our social system in America, as they have in every country, a group of people where there is no income.

Mr. SPENCE. Mr. Frisbie, let me ask you a question——

Mr. FRISBIE (continuing). Now those people in the slums are taken care of by welfare organizations in some way.

Mr. MCGRANERY. And some of them have income but they live in the slums anyway?

Mr. FRISBIE. Yes; and then above that you begin to get various levels, and you come on up.

Mr. TRANSUE. What percentage of these people living in the slums have sufficient income to enable them to take advantage of this act or would be helped by this act in any way?

Mr. FRISBIE. Why the great majority of them; a big majority of them. The situation is forced upon them by congestion.

Let me just give you a few figures on this subject to show you what is taking place and where this congestion is coming from.

In the city of New York, in the past 3 years, there have been demolished housing units for 20,000 families. At the present time, to provide approaches for the Triborough Bridge, they are destroying houses for another thousand families. In addition to that they have closed 15,000 houses as unfit for people to live in. That accounts for another 15,000 dwelling units.

Now, there is 36,000 dwelling units gone within the last 3 years and not replaced.

In the city of Syracuse, N. Y., whole blocks, squares have been torn down and in other squares, blocks, they have gone in and torn down every house that was in bad condition. That is what we call slum houses. In tearing down those houses, if there are any good houses they leave them there. If there are three or four good houses, they leave them and have torn down the others.

In other places they have torn down block after block. In Philadelphia, there has been very broad demolition. So has there been in Detroit and in Chicago.

Mr. TRANSUE. Who tears those houses down?

Mr. FRISBIE. It is usually done by the health department or, in some cities, now by the housing authorities.

Mr. TRANSUE. Where are the people who did live in those houses; where are they living?

Mr. FRISBIE. They have gone into other houses and that has produced this congestion.

That is one of the things producing this congestion. These places had to be torn down.

Mr. MCGRANERY. You have referred to Philadelphia. Is it not a fact that a great number, even thousands, particularly in Philadelphia and New York, of these properties were torn down by the right of eminent domain? That is, the State exercised the right of eminent domain in erecting these great bridges and approaches?

Mr. FRISBIE. In many instances. In many instances they were. They were forced upon the cities by the construction of bridges and things like that.

Mr. WILLIAMS. The great majority of them though have simply been removed, demolished under the general police powers of the State as a nuisance.

Mr. FRISBIE. As a nuisance or a danger.

Mr. WILLIAMS. The majority of them have been torn down under the right to exercise eminent domain?

Mr. SPENCE. I represent a district, a part of which is flooded by the Ohio River.

Mr. FRISBIE. Yes, sir.

Mr. SPENCE. And the floods have destroyed great parts of the city, made them almost uninhabitable, by reason of the recurring floods, and particularly by reason of this last flood, which was unprecedented.

How can those people be helped? They are not in the slums. How can they be helped?

Mr. FRISBIE. You do not need slum dwellings. If you have the housing shortage—you may not have any slum dwellers in your city at all—all that you have to do is to organize under the laws of your State—I believe that your legislature passed a law this year covering that. You are from Indiana, Congressman?

Mr. SPENCE. Kentucky.

Mr. FRISBIE. Kentucky?

Mr. SPENCE. Yes.

Mr. FRISBIE. Kentucky has a housing-authority law. All that the cities have to do to come in under this bill is to organize a housing authority and come in with your program which meets the needs of your city.

Now, here is a city——

Mr. SPENCE. The whole basis of this bill is to correct those insanitary conditions which exist generally in cities?

Mr. FRISBIE. That is right.

Mr. SPENCE. You do not think that that will have any effect? You think that they will be eligible to come under this bill even though they have homes with sunshine and other things, you might say they are not insanitary, but they have this hazard all of the time by reason of the floods.

Mr. FRISBIE. I am sure that housing could be provided for those people under this bill.

Mr. CRAWFORD. That is the exact thing that I had in mind when I was talking about Pontiac and Saginaw. Would you mind pointing out in the bill what section you think would give us relief along the line Mr. Spence has asked you about?

Mr. FRISBIE. The section would be down under section 11.

Mr. MCGRANERY. Section 12, is it not? Section 11 is out, is it not?

Mr. FRISBIE. Section 12?

Mr. CRAWFORD. Section 11 has gone out of the bill, according to the information that we have from Senator Wagner.

Mr. FRISBIE. I have not heard that section 12 was out. Certain sections are out, but I do not think that one is.

Mr. SPENCE. It is really a slum-clearance bill. Here is the definition of slums in this bill.

Mr. FRISBIE. Right in the front part.

Mr. SPENCE. On page 4, subdivision (3). [Reading:]

> The term "slum" means any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors are detrimental to safety, health, or morals.

I do not know that you could say that these houses would come within that definition. They are safe to health and morals, but they are in constant danger of floods.

Mr. FRISBIE. They do not come under that provision, Congressman.

Mr. SPENCE. What provision would they come under?

Mr. FRISBIE. Section 2, subdivision (1). [Reading:]

> The term "low rent housing" means decent, safe, and sanitary dwellings within the financial reach of families of low income, and developed and administered to promote serviceability, efficiency, economy, and stability; and embraces all necessary or desirable appurtenances thereto, including administrative, educational, recreational, commercial, and other lands, buildings, and facilities.

That is section 2, subdivision (1).

This provision you are talking about, Congressman, in subdivision (3), refers to the definitions of a slum, and we have two distinct things in this bill. We have housing and we have slum clearance and slum reclamation.

Mr. MCGRANERY. Will the gentleman yield?

Mr. FRISBIE. Mr. Spence, I think if you will read section 1, under "Findings and policy"—it says:

> SECTION 1. There exists in urban and rural communities throughout the United States, slums, blighted areas, or unsafe, insanitary, or overcrowded dwellings, or a combination of these conditions, accompanied and aggravated by an acute shortage of decent, safe, and sanitary dwellings within the financial reach of families of low income.

I think that is very broad language. I think that that might solve your situation, or any situation that could be conceived of to arise.

Mr. SPENCE. I do not have the slightest doubt about that.

Mr. FRISBIE. I think that would be taken care of with the passage of this.

Mr. SPENCE. There is no doubt in my mind about their being insanitary.

Mr. FRISBIE. In section 2 we get into definitions there I am perfectly sure, in subdivision (1) of section 2, we may meet a situation like that.

Now, there is the very answer to one question about this municipal contribution.

Here is a city visited by flood, and let us say that they have slum areas there and those slum areas were wiped out, as in many instances they have been. They were wiped out in Pittsburgh and other cities along the Ohio River. I saw in those places people clear up on the roof. So, they were carried off of the roof and carried down the street. The people there had to be rehoused again.

Let us assume that the city is in such financial condition that while its people who live up on high ground are all right, the people who live in the river bottoms along the sides of the river where the houses were built—such as was the condition in Pittsburgh and some of the other Ohio Valley cities—that they were wiped out. They have got to provide houses for them, and your city is broke and comes down here to the United States Housing Authority, and they say, "We have got to have housing for 500 families in the city of X." And the United States Housing Authority would say you must have complete tax exemption. You must get the city to give you tax exemption. But the city holds up its hands and says: "We cannot give anything. We have just been wiped out by a flood. Our schools have been destroyed; our streets have been torn up; our water mains have been torn up. Don't you realize that if we cannot get the money we cannot build houses for these people?"

The United States Housing Authority says: "Well, gentlemen, we are very sorry for you. You had better go to the Red Cross. We would like to help you, but the Congress of the United States has written this law, and as a Federal agency we must obey it."

Mr. REILLY. In that case the slums have been wiped out.

Mr. FRISBIE. Surely. We have some places where they have been wiped out by an act of God which has destroyed the slums, such as the earthquake in California. The slums are gone, but we have a housing problem instead of a slum-clearance problem.

Mr. SPENCE. Some of these people have moved from these sections and some of them have been driven from them. Some of it is a very good residential section of the city. What I want to know is whether they will come under the provisions of this bill and may get any benefit from it.

Mr. FRISBIE. Congressman, I will be perfectly frank with you. I do not think that a city would be able to rehouse under this bill families of upward of a thousand or twelve hundred dollars. A good, kind-hearted Administrator, with plenty of courage to face a situation like that, might stretch it to $1,500 or $2,000 for a particular city under those circumstances, but I do not think that is the intent of the bill at all. The intent of the bill is specifically to deal with the normal situation of slum clearance and housing in cities.

Mr. SPENCE. Most of the money will be appropriated to the large cities to clear the slums, and the smaller towns along the Ohio River are not apt to get very much out of this bill. Is that true?

Mr. FRISBIE. No, sir; I do not agree that that is the policy. I think that you are wrong about that.

Mr. SPENCE. I hope so.

Mr. FRISBIE. There is no question but that the big cities will ask for it. They are going to ask for all they can get. Schenectady is going to ask for all it can get, and so is Syracuse, and so is Yonkers, and so is Toledo and Dayton, and all of these cities here which have authorities. Here is Covington, Louisville, Ky., New Orleans, La., Birmingham, Ala.

Mr. FORD. Is there a provision of the bill which limits the expenditure to any one State to, say, 10 percent of the amount appropriated each year?

Mr. FRISBIE. I think that some limitation could be placed on the bill and we might be able to work it out, but I am not good enough at mental arithmetic to do it.

Mr. MCGRANERY. You might get some idea, Mr. Frisbie, from the money voted for flood control. There was no limitation there. The money was voted in lump sums to take care of the situation as, if, and when it arose.

So you could no more insist upon something being put into this bill to prohibit the expenditure of more than 10 percent in any one State.

Mr. FRISBIE. I do not think so.

Mr. MCGRANERY. The situation is not the same in each State, is it?

Mr. FRISBIE. Oh, no. That is why we have to have such a generalization in this particular bill. We are dealing with a national situation.

Mr. SPENCE. Do you think that there would be any objection to a special flood rehabilitation provision so that it might give the Administrator the idea that he has got some responsibility in that respect?

Mr. FRISBIE. I would not think so. I would not think so if it was distinctly understood that did not reach up into the higher brackets.

Mr. MEEKS. What about the case of a fire, a big conflagration in a city, where a large part of it, maybe a portion of the slum section, is destroyed. Does the bill as written provide for a situation of that kind?

Mr. FRISBIE. Certainly you could meet the housing necessities of your people in your lower-income groups who were burned out.

Mr. MEEKS. Those who were burned out?

Mr. FRISBIE. Yes.

Mr. MEEKS. There is one thing that you have not made clear to my mind in answer to the questions of Mr. Spence. You say that there will be a certain proportion of the inhabitants in the section called the slum area who will be eligible to housing under this act, and others will not. There will be a lot of people who are not eligible. What is to become of them with respect to housing matters, sanitation questions, and the means to health, safety, and so on. Do they not have the same eligibility in that income bracket, in a measure, relative to those who will become eligible?

A lot of them will not be eligible. They live in the slums. I can find plenty of slums of that kind. What is to become of those people? I would like to know.

Mr. FRISBIE. I think that you will find with most of those people today their rent is being paid by the city.

Mr. MEEKS. By who?

Mr. FRISBIE. Being paid by the city.

They are on rent relief. Is that not the class that you are referring to?

Mr. MEEKS. What?

Mr. FRISBIE. They are the people who are on rent relief. Their rent is being paid for them.

Mr. MEEKS. They are the people who are living in little pigeonholes, houses in the slum districts.

You know when I used to go down to New York, Chicago, and other places, we would always pay a guide to take us around in the slum areas. We wanted to see the sights and go back home and tell what we had seen. And we saw a great deal.

Now, there are a lot of people in those districts who, confessedly, will not be eligible to the benefits of this act.

Mr. FRISBIE. A lot of them are not.

Mr. MEEKS. A lot of them are not, and I would like to know what is going to become of the unfortunates who cannot become eligible.

Mr. FRISBIE. Whether on relief or not, they are entitled to be housed the same as the other people, and they will be housed.

Mr. MEEKS. They should be as a protection to health.

Mr. FRISBIE. They will be housed.

Mr. MEEKS. And for the sake of humanity. The same questions pertain to them. What will become of them, what will we do with them?

Mr. FRISBIE. They will be housed; there is no question of that.

Mr. MEEKS. A lot of them have no employment, and a lot of them are unfortunate cripples, sick, and invalids.

Mr. FRISBIE. Those are relief cases.

Mr. MEEKS. Some of them are not relief cases. In general, what is going to become of those people?

Mr. FRISBIE. I would say they have got to be housed at public expense.

Mr. MEEKS. Who is going to pay for these houses? That question has not been answered by anybody who has been here.

Mr. FORD. Do you think, Mr. Frisbie, that the units ought to be limited to some sum of, say, $4,000?

Mr. FRISBIE. Cost?

Mr. FORD. Yes.

Mr. FRISBIE. No; I do not think so, and my reason for that is again the difference in the cost of land in the various cities of the United States. There is slum land in New York City that cost $16 per square foot. Of course, there is lots of other land there that costs less, and that, I presume, is the top price for slum land in the United States, $16 a square foot, and from there it shoots down to 5 cents, 20 cents, and some of it less.

Mr. FORD. Why is it worth about $16 per square foot when the people who are living there cannot afford to pay over $3 or $4 per room?

Mr. FRISBIE. It is not worth that except in the idea of the owner. In this country of ours we hold on to property not with the idea of receiving, perhaps, an immediate income from it, but with the idea of ultimate appreciation in value. That psychology of ours has been taken advantage of or stimulated by the zoning ordinances. We have gone into these decaying areas like that, and in order to preserve the debt limit of the city we zone a plot of decaying area where values are dropping, dropping, dropping. We zone that as commercial and industrial property, and immediately the owners of that property get the idea that one of these days Henry Ford, General Motors, or the General Electric Co., is going to come along and buy this piece of property, put in a factory there, and pay him a big fancy price for it. That is what has been done with owners of that kind of property all over the United States, and even in Canada. You will find the same situation in the Dominion of Canada. I spent some time this spring in Toronto looking over the housing situation up there, and it is absolutely identical with the situation in the United States. These great slum areas up there which consist of the economic waste of the city of Toronto cannot be bought, because while they do not have zoning laws, they have a series of restrictions which operate the same way, and they have all of this property laid out as industrial or commercial, and the people think it is worth much more than its value. They showed me one piece of property where Mary Pickford was born, and they want $600 per square foot for it.

Mr. SPENCE. Is the slum property in the city productive property?

Mr. MCGRANERY. Yes; very much so. That is the difficulty in eliminating it. Mr. Frisbie, is not this the fact, that in addition to what you have related to the committee as a reason for the high prices in the slum areas, that it is the actual congestion, and that a man with a little eight-room house can rent this house to eight families and get $40 a week for it? That condition exists; is that not true?

Mr. FRISBIE. Yes; it is productive property in that sense.

Mr. SPENCE. What effect will the carrying out of the provisions of this bill have upon the productivity of the slum property?

Mr. FRISBIE. It will decrease it.

Mr. SPENCE. It would not be any trouble in the city to eliminate slums. All you would have to do is condemn the property in order to tear it down, showing that it is insanitary, unsafe.

Mr. FRISBIE. We get into a great deal of trouble where we have to condemn property for the purpose of getting rid of slums unless we are going to do it for purchase. Now, even in New York State, which is the most liberal State in tenement laws relative to the demolition of property, if it is an insanitary building, for example, it is very difficult to condemn it, except where it is structurally unsafe.

Mr. SPENCE. Has not the State and the cities control over the health of its citizens, and under the police power can they not condemn a building because it is insanitary and apt to spread disease?

Mr. FRISBIE. No; not primarily because it is insanitary, but because it is structurally unsafe.

Mr. SPENCE. You ought to have your charter amended, it seems to me.

Mr. FRISBIE. It ought to be done, and it will be done presently; but anytime you begin attempting to introduce new laws dealing with the real-property laws and the rights and privileges of owners of real property in the United States you run up against tremendous resistance, because the law that you are trying to pass accomplishes a certain specific thing in the State of New York, and in Schenectady, in the State of New York, and it may possibly do something else under it disadvantageous to the rest of the community. That matter was definitely established in the courts in the case of *Health Department of the City of New York* v. *Dissero.*

Mr. SPENCE. That was a health case of the Health Department of the City of New York. That condemned the property because it was insanitary?

Mr. FRISBIE. They tried to condemn it because it was insanitary.

Mr. SPENCE. Did they succeed?

Mr. FRISBIE. No; they did not succeed, because it was not structurally unsound. In that case of the *Health Department* v. *Dissero* the health department was trying to have this property demolished because it was insanitary.

Mr. EVANS. That is right.

Mr. FRISBIE. The demolition was denied because it was not structurally unsound.

Mr. EVANS. The demolition was denied in that case because the court held that the building could be used for some other purpose, could be altered, and therefore it would be depriving a person of his property without due process of law.

Mr. SPENCE. They had no right to order a change of the use of the building?

Mr. FRISBIE. No; they had no right to change the use of the building, all they could do was issue an order for them to vacate it.

Mr. FORD. As to property selling for $16 a square foot, is it contemplated that any slum-clearance projects shall be undertaken on property of that character?

Mr. FRISBIE. No. The way we are dealing with expensive slum property like this is through the erection of housing for the people living in there and by the drainage of the people out of those slum areas. They are going out anyhow, and we can accelerate that by

building decent, sanitary houses for those people at an income rate which they can afford to go into. So that the condition which Mr. McGranery spoke of a few minutes ago, where there are five families in it instead of only two, will cease to exist. They will move out of that place, and they begin to hit the spot where the building hits the red, and the owner tears it down in order to meet the payment of taxes.

Mr. HANCOCK. From your study of conditions in the slum areas, particularly in Schenectady, what do you find is the approximate income of slum dwellers?

Mr. FRISBIE. I would say in Schenectady it is confined to people from $20 down.

Mr. HANCOCK. Per week?

Mr. FRISBIE. Yes, sir.

Mr. HANCOCK. Down to how low, would you say?

Mr. FRISBIE. Well, it goes all of the way down.

Mr. HANCOCK. Practically down to nothing?

Mr. FRISBIE. Down to nothing; exactly.

Mr. HANCOCK. I just wanted to get your opinion about the class of people that would be benefited by this legislation. Now, the President has frequently referred to the fact that one-third of our population is ill-fed, ill-housed, and ill-clothed. What percent of that one-third ill-housed would this legislation reach, in your opinion?

Mr. FRISBIE. Well——

Mr. HANCOCK. Would it reach the top two-thirds of the one-third, leaving the bottom one-third out in the cold?

Mr. FRISBIE. No; your bottom is not a full one-third. Your bottom would be at most—your bottom level at most would be, perhaps, one-sixth or one-twelfth, something like that, but not a full one-third.

Mr. HANCOCK. You really feel that at least the top half of the one-third would be benefited by this legislation?

Mr. FRISBIE. Oh, yes; and we would reach down below the top half of the third. The top half of the third, is that what you said?

Mr. HANCOCK. I am asking you.

Mr. FRISBIE. Yes: I would say that was a fair approximation.

Mr. HANCOCK. What is that?

Mr. FRISBIE. I will state it was a fair approximation. That is the way it seems to me at the moment.

Mr. HANCOCK. Now, a while ago, when you were discussing the question of local cooperation and contributions. I believe you stated that the Williamsburg project cost $13,000,000?

Mr. FRISBIE. Approximately.

Mr. HANCOCK. And that your local municipal authorities had cooperated to the extent of about $21,000,000 in taxes?

Mr. FRISBIE. Yes; over a period of 60 years.

Mr. HANCOCK. By remitting or foregoing taxes?

Mr. FRISBIE. That is right.

Mr. HANCOCK. Over a period of 60 years?

Mr. FRISBIE. That is right.

Mr. HANCOCK. Now, what is the present value of that $21,000,000 over a period of 60 years?

Mr. FRISBIE. It amounts to, I think it is, $350,000.

Mr. HANCOCK. The present value of that $21,000,000 would not be more than about $7,000,000, would it?

Mr. FRISBIE. I do not quite get the drift of your question, Mr. Congressman. The present exemption is $350,000 a year, or four dollars and some cents per room per month.

Mr. SPENCE. Mr. Frisbie, you spoke of income. Is it not rather difficult to anticipate the income of these people in the lower brackets? They have no regular employment as a rule, and there is no way of ascertaining their incomes. They are only employed occasionally, and there is no way to anticipate what their income will be, I should think.

Mr. FRISBIE. Well, you can, to a certain extent. In the city of Schenectady you can say safely that their income is going to be pretty constant, at from $16 up to $20 a week, except in a period of extreme depression.

Mr. SPENCE. He has to have a job to have that income, does he not?

Mr. FRISBIE. Oh, yes; but there is an average, under anything like normal conditions of employment for those people in Schenectady. Now, in the city of New York these figures of $16 to $20 a week that I am giving to you may not mean anything. I do not know what they are in Philadelphia, or what they may be in Cleveland. You would have to go right into each city, the people in each city have to go right into the city, go right down into the city and find out what they are, what their income is.

Mr. SPENCE. How do you arrive at that income, the average income of $16 to $20 a week? How do you arrive at that income, and over what period of time?

Mr. FRISBIE. We arrive at that income by making a block-to-block study of those areas, finding out exactly where the man of the house is employed, and if a son is employed, or any other member of the family is employed, we put that in, and we find out what wages there were.

Mr. SPENCE. Did you consider how long he had been employed?

Mr. FRISBIE. Yes; we considered how long he had been employed, and whether he worked last year a full year's time or a half year or a quarter of the year.

Mr. SPENCE. And also what has been his income for the past several years?

Mr. FRISBIE. Several years back. We went back to 1931.

Mr. SPENCE. You think you can get those figures accurately?

Mr. FRISBIE. We have them quite accurately. One thing the depression has done, it has disposed people in those lower-income groups to tell you very frankly about what they earn. It almost seems as though they were proud of the fact that they were underpaid. There is not the reticence about that that you find in the other groups, because they want to keep up with the Joneses, or some such reason. They want to convey the idea to others that they actually earn more than they do. The people in the lower-income groups are frank about it.

Mr. SPENCE. Do you prove those statements by consulting the employers?

Mr. FRISBIE. Quite frankly, we do. In many instances in Schenectady we are able to get useful information from industry to check that, because they know the use that we are making of it is a constructive social use.

Mr. McKeough. Mr. Frisbie, has not the General Electric Co. a large plant at Schenectady?

Mr. Frisbie. Yes; a very large plant.

Mr. McKeough. Were any of those employed by General Electric in the occupancy of what you call from your study in Schenectady, in the slum area?

Mr. Frisbie. Yes; quite a few.

Mr. McKeough. Was that because of their inability to get any proper housing even though they were in position to pay for it?

Mr. Frisbie. Yes; a lack of proper housing.

Mr. McKeough. So that they were compelled by reason of the economic stress, and due to inability to meet housing requirements, forced to live in an area that they were not desirous of living in?

Mr. Frisbie. That is right.

Mr. McKeough. One of the benefits that would accrue from the application of the provisions of this proposed enactment would apply with benefit to the people of Schenectady, to people that were engaged by the General Electric Co. at reasonable, fair wages; is that a safe assumption?

Mr. Frisbie. That is perfectly true.

Mr. McKeough. So that from the standpoint of the benefit that might accrue to the picture nationally there are many other General Electric situations throughout the country?

Mr. Frisbie. Yes; there are many of them. One peculiar thing about this present period that we are in is this: We are in a period of increasing employment and of rising wages. Now, heretofore, in in the history of the United States, every time that we went into such a period the old level of American life began to lift up from the very bottom of the slums right on through into higher brackets, and everybody began to get into a better home, to buy a better automobile, and everything like that. Now, due to this congestion in our great industrial centers today we have this situation, that the minute a family was able to, it began to spread around, and those families, the heads of which were employed, absorbed all of the available houses that there were. There had been practically, relatively no new construction, in the past 4 or 5 or 6 years, and, in many sections as much as 7 years. Now, then, as the automotive companies, as the General Electric Co., as the American Locomotive Works, the steel companies, and other companies begin to call help into the cities to put them to work, and to increase production to get it up to the level where it is, and men came into the cities, there was no place for the fellow that had $48 or $50 a week to get a house, a house of the class which he would ordinarily get for that price. Therefore, he was compelled to go to the house which was occupied by the fellow that was making $30 a week, and against that fellow he bid $20 or $50 for that inferior house. At the same time, the fellow who was making $30 a week went down in the scale and put out the fellow that was making $20 a week, and the fellow who was making $16 to $20 a week went out on the curb, as they are doing out in Wayne County in Michigan at the rate of 100 a day. Now, that is State suicide.

Mr. Luce. Mr. Frisbie, when the hearings first began I approached them with the impression that this was to be a slum clearance bill. I have great sympathy for it, but some of the testimony led me to

wonder as to the scope of the bill. I read it through again and studied it last night, and I find that there is language in the bill broad enough to bring into the activities of this housing proposition every unsanitary and filthy building in the United States that is used for a home.

I pass much of my time in a country town of 1,000 people. Undoubtedly there are filthy houses in that town. I would like to have it made clear whether it is the desire, wish, and intention of the advocates of this bill to improve isolated housing all over the United States.

Mr. Frisbie. Not isolated housing, Mr. Congressman. By isolated houses, I understand you to mean, or at least I mean in answering you, the farm, the individual farmer. Now, there is a great deal of that housing which we know is very bad and needs to be improved. Now, it is not contemplated to touch that house under this bill for the reason, or one reason that nothing was put into this bill about that thing is that we were told that the Department of Agriculture had a program for the rehabilitation of insufficient and inadequate farm houses, but when you come to the small hamlet, the small village, there is a provision in here with respect to rural housing.

Now, there seems to have been some misunderstanding of what we mean by rural housing. We mean the same thing the English mean, and the English mean in their practice a small hamlet or village.

Mr. Goldsborough. Suppose a town of 2,000 had a section of 400 inhabitants that were living in these shacks, shanties, and so forth. How would they go about getting the benefit of this legislation if the bill becomes law?

Mr. Frisbie. Get a group of citizens together and organize a rural housing association, which can be organized under the laws, I assume, of any State in the country, to enter into a rural housing association. This rural housing association would make its research and establish that there was needed in this town houses for these people. They would determine the type of house that was to be erected, the cost of the land which was to be acquired for the house site, and then they would come to the United States Housing Authority and say we need for our town, $250,000 for housing, for rural housing, and if the United States Housing Authority was satisfied from the presentation that they made that this town needed those houses, the United States Housing Authority would then make a loan of 85 percent of the cost of the project, which would only leave 15 percent to be found by the rural community, which they could doubtless find in the form of land.

Mr. Hancock. Has not that section been stricken out of the Senate bill?

Mr. Frisbie. Not to my knowledge. The limited dividend section has been stricken out, but I have no knowledge at this moment as to that section having been stricken out.

Mr. Hancock. That was stricken out and the consumer housing society section, too, was it not, yesterday?

Mr. Frisbie. Not to my knowledge.

Mr. Hancock. I think it was, or by agreement it was agreed that it would be.

Mr. Goldsborough. This 15-percent contribution that you speak of, is that required in large cities?

Mr. FRISBIE. No, it is not, sir; that is, it is not made mandatory in the large cities.

Mr. GOLDSBOROUGH. But it is mandatory for the rural communities?

Mr. FRISBIE. Yes; it is mandatory for the rural communities, and so far as the sponsors of this bill are concerned we would be entirely satisfied to see it put on the same voluntary basis as the other.

Mr. GOLDSBOROUGH. Why was it put upon a different basis?

Mr. FRISBIE. I am not familiar with that. I did not have anything to do with the drafting of that section. My contribution, such as it was, to the drafting of this bill was confined to the sections with respect to slum clearance.

Mr. GOLDSBOROUGH. It is very easily understood that this slum condition exists in every State in the Union, is it not?

Mr. FRISBIE. Yes, sir.

Mr. GOLDSBOROUGH. Why is there any objection to making a provision that only 10 percent can be used in any one State? There are 48 States, and it seems to me that is a fair proposition.

Mr. FRISBIE. I think, Mr. Congressman, that you have to go a little further.

Mr. GOLDSBOROUGH. We do not want to make a grab game out of this thing.

Mr. FRISBIE. I agree with you. I think we have to base it somewhat upon the basis of the population of States.

Mr. GOLDSBOROUGH. Certainly; but no one State would be entitled to more than 10 percent. There are 48 States, and that would be one-tenth of the total of the entire amount.

Mr. FRISBIE. I think we have States that could not use 10 percent of it.

Mr. GOLDSBOROUGH. They would not have to use it unless they wanted it. For instance, it would not be fair for New York, would it, to have more than 10 percent of this money, which is an extreme case?

Mr. FRISBIE. I would want to study that just a little further before I answer 10 percent. Maybe 10 percent might be too much. On the other hand, it might be an unreasonable restriction upon New York, Pennsylvania, or Massachusetts. You are dealing with big industrial States with great numbers of cities in them and a heavy part of our population.

Mr. GOLDSBOROUGH. I will put it another way: What would be the objection to making such provision which would guarantee allocation, and not make this simply a grab game?

Mr. FRISBIE. I do not think there is any serious objection to that.

Mr. CRAWFORD. Mr. Chairman, if Mr. Goldsborough will yield there just a minute. Mr. Frisbie, going back to this local benefit that you just referred to, are you referring to section 10, which covers the 85-percent provision, on page 15 of the House bill?

Mr. FRISBIE. You have the House bill, have you?

Mr. CRAWFORD. Yes, sir.

Mr. FRISBIE. I have the Senate bill here.

Mr. CRAWFORD. My questions have been directed to the House bill. Have you been answering on the basis of the Senate bill?

Mr. FRISBIE. Yes, sir.

Mr. CRAWFORD. That accounts for some of the differences, then. On page 15, section 10, of the House bill it provides for limited profit housing agencies, and also for 85-percent loans. Now, that is contrary to what you said to Mr. Goldsborough a few minutes ago?

Mr. FRISBIE. In what respect?

Mr. CRAWFORD. Perhaps it was Mr. Hancock, when you said that the 85 percent provision and the limited profits provisions were not in the same section. When he was interrogating you with reference to something having been stricken out of the bill, I understood you to say that that limited dividend proposition and the 85 percent——

Mr. FRISBIE. The limited dividend provision?

Mr. WOLCOTT. Section 9 (b) of the Senate bill.

Mr. CRAWFORD. Yes; going to the Senate bill now. Do I understand you to say that section 9 (b) of the Senate bill, page 45, will give relief to cities of 2,000 or 100,000 where there are no slums, but where they desire to build individual houses, individual projects to accommodate people in those areas through the organization of a local housing association?

Mr. FRISBIE. As I understand it.

Mr. CRAWFORD. As you understand it, that is the section where, for instance, Saginaw would get its relief?

Mr. FRISBIE. Yes; either through that section or through demonstration projects.

Mr. CRAWFORD. If they use section 9 (b), page 45, the facilities would have to be devoted to those of low income, would they not? In other words, could a local agency be organized to secure assistance under section 9 (b) and build projects to house people not in the low-income brackets?

Mr. FRISBIE. No, sir; they could not.

Mr. CRAWFORD. Saginaw has one of the highest wage levels of any city anywhere in the world, but it is short of houses. They could not qualify then, could they?

Mr. FRISBIE. No, sir.

Mr. CRAWFORD. Because they do not have a low-income group?

Mr. FRISBIE. That is right. There is a city for private capital to operate in.

Mr. CRAWFORD. But private capital has refused to go in, and it is unloading the facilities it now has at about 40 or 60 cents on the dollar, to my certain knowledge.

Mr. FRISBIE. Private capital will not function?

Mr. CRAWFORD. They will not function, and the banks are bursting with reserves and demand deposits.

Mr. FRISBIE. That is the trouble with the whole country.

Mr. CRAWFORD. Certainly, and that enters right into this bill.

Mr. FRISBIE. That is the sole excuse for this slum clearance, but with respect to this low-income house slum-clearance work, I cannot find any fault with private capital for not wanting to go into that. The money has to come from the building and loan associations, and from your savings banks, and your life-insurance companies, and if it cannot make a profit I would not want to have my money in a life-insurance company or a building and loan association that was taking its funds and lending it out at no return where there was a hazard.

Mr. HANCOCK. Mr. Frisbie, what does your authority estimate that it would cost over a period of 10 years to clean up all the slum areas in the United States and provide people who have been living in those slums with adequate, decent, sanitary housing facilities?

Mr. FRISBIE. Mr. Hancock, we have never figured that, and I will tell you why.

Mr. HANCOCK. Are you afraid to estimate it?

Mr. FRISBIE. We said to ourselves, "If we ever start figuring that thing we will scare ourselves to death", because we are conservative citizens just like yourself, and we are going to help pay this. We talked the thing over, and the conclusion that we came to was this, that if 25 or 40 years ago we had sat down and figured how much money we were going to have to spend in American cities for sewers, for water, for pavement, for light, and for schools, we would not have made those improvements. Take schools alone. If we had sat down and figured how much we were going to have to spend on public education in the United States, we would have said there is no such animal, and the whole program would have been demoralized. We did it little by little, and did not try to put in all of the water mains at once, and did not try to build all the schools at once. We did it from year to year.

I can remember when Baltimore over here had open sewers. I am still that young, and that is comparable with this thing. We are not going to get anywhere if we try to estimate it. This program is not going to go like wildfire. It is going to go as fast as we can move it, and it requires the most careful, persistent research. It has taken us in Schenetady 4 years to get to the point where we know about our city, and today we maintain a complete and permanent record. Every day these reports come in on every piece of property that is ever mortgaged or sold, and everything like that, and that is all entered up on these city maps, so that we could know what is taking place all of the time in our city. The city of Syracuse has not presented a project yet. They have been working year after year, and spent the city's money, and getting help from the University of Syracuse. Yonkers is doing the same thing, and Cleveland, Detroit, and all of these cities, are making most careful studies of the thing, so that when we come down to this Washington authority we will have the same kind of information that you would want laid before you gentlemen if you were directors of a bank.

Mr. MCGRANERY. Mr. Frisbie, has your study of the slum-clearance problem brought you in contact with the mortality rate in slums?

Mr. FRISBIE. Oh, yes; we have a complete record of that.

Mr. MCGRANERY. You have a complete record of that?

Mr. FRISBIE. Yes, sir; over a long period of years.

Mr. MCGRANERY. Do you have it with you?

Mr. FRISBIE. No; I haven't it here, but I could get it here tomorrow.

Mr. MCGRANERY. What does your record indicate as compared to other residential sections in the same cities?

Mr. FRISBIE. Oh, there is no comparison.

Mr. MCGRANERY. Is it higher or lower?

Mr. FRISBIE. The death rate is very, very much higher in the slums.

The CHAIRMAN. Mr. Frisbie, I suggest that you supply or send us that information and let it be incorporated in your statement.

Mr. MCGRANERY. Do your records also indicate the ratio of delinquency in slum areas as compared with other sections of the same cities?

Mr. FRISBIE. Of the city of Schenectady?

Mr. MCGRANERY. Juvenile delinquencies.

Mr. FRISBIE. Yes, sir.

Mr. MCGRANERY. Will you be good enough to supply the committee with that information?

Mr. FRISBIE. Yes, sir; I will do that. That is already published in Government reports; both of those things.

Mr. HANCOCK. It might be pertinent if you had some record there to show the adult delinquency, too. I do not say that factitiously.

Mr. FRISBIE. We have the traffic violations, too, if you would like to have them.

Mr. REILLY. You have a Federal project in your town of Schenectady, have you not?

Mr. FRISBIE. Yes, sir; that is right.

Mr. REILLY. What is it going to cost?

Mr. FRISBIE. $1,500,000.

Mr. REILLY. What are the units going to cost?

Mr. FRISBIE. There are 219 units, divided into $1,500,000. I am assuming that you are going to put in the cost of land and everything to arrive at it, or do you just want the construction cost alone?

Mr. REILLY. I mean what is a complete unit going to cost for each house, for every family, $5,000?

Mr. FRISBIE. Somewhere between $3,500 and $4,000.

Mr. REILLY. Does that mean without grant or with the grant?

Mr. FRISBIE. That is with the grant.

Mr. REILLY. What can you rent those for without any subsidy, or will there have to be a subsidy?

Mr. FRISBIE. Oh, there will have to be a subsidy, because even with a 45-percent grant from the P. W. A., in the end they will have rents running at the rate of from $7 to $7.50 a month per room, and that includes your electricity, your electric refrigerator, your janitor, and your gardner.

Mr. REILLY. Who outlined that building program for you people?

Mr. FRISBIE. We came down here to Washington, and we asked the Federal Housing Division to give to Schenectady the money on the basis of 45–55. We wanted $2,265,000 for the clearance of slums for other areas, and houses, and we wanted, roughly, $2,500,000 for new houses, but we wanted it for low-income houses for the groups between $16 and $20 a month.

Mr. MCGRANERY. Was that in those units a family could occupy, a four-room unit, for $28 a month, which would include their electricity and refrigeration?

Mr. FRISBIE. That is what they could do under this P. W. A., but under the kind of construction that we originally asked, they would have had that four rooms for $16.

Mr. MCGRANERY. $16?

Mr. FRISBIE. Yes.

Mr. MCGRANERY. Which would include electricity and refrigeration, too?

Mr. FRISBIE. No; it would not include refrigeration, but it would include electricity, including heating, but not the heat, and a modest private toilet, and modest electric fixtures.

Mr. MCGRANERY. For $16 a month?

Mr. FRISBIE. Yes.

Mr. HANCOCK. What is your estimate of the maintenance cost per year per room, and by "maintenance cost" I mean supervision, janitor service, repairs, and so forth, but not including financial overhead.

Mr. FRISBIE. I think that is all taken up here. Here on page 13 of the report of the Senate committee is detail table 9, in which the operating expenses on the basis of $1,000 per room, the monthly operating expenses are estimated to be $2.95.

Mr. HANCOCK. That is about $36 per year per room?

Mr. FRISBIE. Yes; $36 per year per room.

Mr. TRANSUE. You say this project is to cost $1,500,000? That is what it is to cost to provide 219 units?

Mr. FRISBIE. Yes.

Mr. TRANSUE. It amounts to $6,685 a unit. I have just figured it out.

Mr. FRISBIE. You are including the land?

Mr. TRANSUE. I have divided $1,500,000 by 219.

Mr. FRISBIE. If you have it that way, it would run about that way.

Mr. TRANSUE. How much are you going to rent them for?

Mr. FRISBIE. They will rent for around $7 or $8 per room per month.

Mr. MCKEOUGH. Is it occupied now?

Mr. FRISBIE. Oh, no; they just started tearing down the foundations in the slum area, and started building up again. In my figure I divided 219 into $750,000.

Mr. REILLY. You people contributed 45 percent?

Mr. FRISBIE. That is right.

Mr. REILLY. Will that accommodate all the low-paid people you have?

Mr. FRISBIE. No; not one project.

Mr. REILLY. If you were to construct buildings for yourself in your town would you construct the kind of buildings they have constructed for you?

Mr. FRISBIE. Absolutely not.

Mr. REILLY. What do you estimate that you could produce units for sufficient for these people to live in?

Mr. FRISBIE. Exclusive of the price of the land, a four-room house for from $1,700 to $2,000, and a five-room house for from $2,250 to $3.000.

Mr. REILLY. Why are you not constructing houses of this kind?

Mr. FRISBIE. Because the local housing authorities are not constructing them. It is because they are being constructed according to the views and ideas of people here in Washington.

Mr. REILLY. Whose views should control in the construction of these slum-clearing projects?

Mr. FRISBIE. I think that the Housing Authority people, they, with the people who live in the various cities, know exactly the type of houses that they need in that city, and they would build houses at a price which would fit the amount of money available and the income which the people could pay.

Mr. REILLY. What was the price of the land per lot?

Mr. FRISBIE. The land per lot in Schenectady?

Mr. REILLY. Yes.

Mr. FRISBIE. Well, it was quite reasonable, because, as I told you gentlemen a little while ago, the city gave us over half of that site.

Mr. REILLY. What would it cost you now per site to construct another project?

Mr. FRISBIE. Oh, it must cost us 35 cents to 40 cents per square foot.

Mr. REILLY. How much a lot?

Mr. FRISBIE. Oh, a lot?

Mr. REILLY. Yes.

Mr. FRISBIE. Well, if we had to buy the lots we could buy a lot 100 by 150 feet for $100 or so.

Mr. REILLY. How much?

Mr. FRISBIE. $100.

Mr. REILLY. Then, you would have constructed, if you had had charge of this money, houses for about $2,500?

Mr. FRISBIE. Yes; in Schenectady we could do that.

Mr. REILLY. It seems our housing authorities are trying to see how much they can spend for houses; is that it?

Mr. FRISBIE. How much they can save?

Mr. REILLY. How much they can spend.

Mr. FRISBIE. How little we can build houses for?

Mr. REILLY. You were trying to do it for as little as you could build the houses for, but our housing authorities seem to find how much they can spend.

Mr. FRISBIE. You mean the Washington housing authorities?

Mr. REILLY. Yes.

Mr. FRISBIE. That is right; it looks that way.

Mr. LUCE. Would you object to having the writing of this bill make it perfectly clear that this is a slum-clearance bill and nothing else?

Mr. FRISBIE. You mean, Mr. Congressman, that no houses were to be built at all?

Mr. LUCE. No. I mean that we are going to be asked whether this is going to help the country, the rural districts. What are we going to tell them?

Mr. FRISBIE. Congressman, if you will leave in the provisions which are in your House bill, or were in the Senate bill, before they took out the section in regard to limited-dividend corporations, and this other section which Mr. Hancock seems to think is out, then you would have a bill which, within the limits of the appropriation, which is $25,000 a year, would be of benefit to the rural sections?

Mr. MCGRANERY. You mean $25,000,000 a year.

Mr. FRISBIE. Yes; $25,000,000 a year. If you take the Senate bill with those provisions out, then this bill is of no use to these areas. You would have to strike, and properly strike out, from that first section the word "rural."

Mr. HANCOCK. What type or character of a demonstration-project multifamily structure would you put on a farm?

Mr. FRISBIE. You cannot do it. When it comes to the individual farm we understood Mr. Wallace and the Department of Agriculture were working to meet that problem. We kept our hands out of that.

Mr. TRANSUE. You are quoting the Secretary of Agriculture the same as Mr. Wolcott quoted the President, I hope.

Mr. FRISBIE. I do not quote him at all, but we were told he was going to meet that problem.

Mr. HANCOCK. Let me find out a little bit more about your project at Schenectady. It was built under the provisions of the the original N. R. A. That gave the Department of the Interior the right to set up a Federal Housing Division?

Mr. FRISBIE. That is right.

Mr. HANCOCK. They lend you 55 percent, and make you a grant of 45 percent?

Mr. FRISBIE. That is what they say.

Mr. HANCOCK. That is the procedure?

Mr. FRISBIE. Let us say that; yes.

Mr. HANCOCK. Let us say that is done, and the projects are completed.

Mr. FRISBIE. That is right.

Mr. HANCOCK. Then, will that project be eligible for annual contributions or subsidies from the Federal Government?

Mr. FRISBIE. If this bill passes?

Mr. HANCOCK. Yes.

Mr. FRISBIE. If this bill passes, then that project would be turned over to the United States Housing Authority. That is, if the President decided to consolidate the Federal Housing Division with them.

Mr. HANCOCK. There is a provision in this bill looking to that accomplishment.

Mr. FRISBIE. Yes; it may be possible.

Mr. HANCOCK. In other words, the United States Government will have loaned your community 55 percent of the cost of that project, given you outright 45 percent, and then every renter that goes in there would have a subsidy for 60 years; is that correct?

Mr. FRISBIE. No; it is not. Now, if I understand this bill, that is not the situation at all. If we take that over from the P. W. A., the Federal Housing Division or P. W. A., and I have got to divide this up in order to make it clear—if we go to take that over from P. W. A. all we would get would be a 45-percent subsidy.

Mr. HANCOCK. Can they under the terms of the bill dispose of that property to you at what they consider a fair value?

Mr. FRISBIE. The United States Housing Authority can; yes.

Mr. HANCOCK. Yes.

Mr. FRISBIE. If the President consolidated the present Housing Division and the United States Housing Authority, then we could come in and say on completion of this thing, "All right; we would like to buy this thing; what would you sell it for?" We forget all about the 45-percent grant and the rest of the business, and they fix a fair price for it.

The CHAIRMAN. Will it not take the place of any provisions of this bill?

Mr. FRISBIE. That is right.

Mr. WILLIAMS. I understood you to say awhile ago that you thought that these various construction projects directed from Washington had been very expensive?

Mr. FRISBIE. Yes; I did.

Mr. WILLIAMS. I think you are correct about that.

Mr. FRISBIE. Yes.

Mr. WILLIAMS. Are you in favor of these demonstration projects under this bill?

Mr. FRISBIE. Frankly, I do not like the demonstration projects, Mr. Chairman. I do not know of any other way to meet the situation in locations where they have no authorities or cannot establish them if an emergency arises.

Mr. WILLIAMS. This bill provides for the construction of those various projects by the central authority here just like those.

Mr. MCGRANERY. With the consent of the local community.

Mr. FRISBIE. Yes, undoubtedly; but they are constructed at the expense of the Government, and the authority set up in this bill constructs those demonstration projects.

Mr. MCGRANERY. That is right.

Mr. WILLIAMS. You say you personally do not like it?

Mr. FRISBIE. Yes; I personally do not like it, and I am not for putting up demonstrations.

Mr. WILLIAMS. You think we have had enough of them?

Mr. FRISBIE. Yes.

Mr. WILLIAMS. How many demonstration projects have we in operation now?

Mr. FRISBIE. There are something over 35, I think, that they are working on.

Mr. HANCOCK. Fifty-one in all.

Mr. FRISBIE. Yes; 51 in all.

Mr. WILLIAMS. That is P. W. A. or Resettlement?

Mr. FRISBIE. I think that is just P. W. A.

Mr. WILLIAMS. Then, of course, we have Resettlement projects also.

Mr. FRISBIE. Yes.

Mr. WILLIAMS. Are you familiar with the Cumberland subsistence homestead project?

Mr. FRISBIE. The Cumberland subsistence project?

Mr. WILLIAMS. Yes.

Mr. FRISBIE. No; I have been out here to Berwyn, Md., and I looked at the suburban development there.

Mr. WILLIAMS. You have not been out to that Cumberland settlement over in eastern Tennessee, where they build a $5,000 house, and give a man 10 or 20 acres on a hillside there to live in, and amortize the debt against that property over a period of years and then expect the grantee to pay it?

Mr. FRISBIE. No; I do not know the Cumberland project.

Mr. WILLIAMS. You have not seen that project?

Mr. FRISBIE. No; I have seen the one out here at Berwyn, Md., and I have seen housing projects all over the eastern part of the United States.

Mr. WILLIAMS. From your observation and experience you think we have had enough of these demonstration projects?

Mr. FRISBIE. Yes; I think that is one of the reasons for criticism of the Public Works Housing Division, and to me, gentlemen, it is a miracle they were ever able to buy a single square foot of land or build a single house, no matter what they had to pay for it. I do not like their policy, and I do not like their results, but I do not blame them for it. It was started under the spur of the emergency. The President wanted to put the boys back to work, and he had this idea of decentralization—I can use the word now, perhaps, that our friend, Mr. Wolcott, is gone. He did have that idea of decentralization of the projects. By that I mean he was going to have the work done by the local authorities, and send the money to them, the Housing Division in Washington acting very largely in an advisory capacity.

Mr. WILLIAMS. That could only be justified on the theory that it was an extreme emergency?

Mr. FRISBIE. Yes.

Mr. WILLIAMS. This is permanent legislation we are proposing here, is it not, and that cannot apply to this legislation?

Mr. FRISBIE. That would not apply to this.

Mr. WILLIAMS. This idea of the Government going in and building demonstration projects, and so forth, and then later on selling them to somebody or renting them——

Mr. FRISBIE (interposing). We are getting mixed up in what we are talking about.

Mr. WILLIAMS. I was talking about these demonstration projects.

Mr. FRISBIE. Personally, as to a demonstration project, as a demonstration project, I say that we do not want any more of them, but if we can take the name "demonstration" out of the vocabulary and say in the national housing bill there should be a provision of some kind, and if it is not the right kind that is for you gentlemen to decide, if it is not the right kind of a provision there should be some provision which will not foreclose those States which have housing authorities and may have a constitutional provision preventing emergency projects from creating them, from participating in this bill.

Mr. MCGRANERY. Is it not a fact that that was probably written into the bill to cover the situation in those places where there was no organization of a housing authority?

Mr. FRISBIE. That is right, or to meet the situation in a company town in West Virginia or in Pennsylvania.

The CHAIRMAN. It would give some elasticity in construction of this matter and the definition of rural.

Mr. FRISBIE. That is right.

Mr. MCGRANERY. One other question with respect to rural. They have been shooting at you quite a bit this afternoon as to what benefits would come to the farmer. Are you familiar with the Farm Tenancy Act?

Mr. FRISBIE. No; not a bit.

Mr. MCGRANERY. I would suggest that you read that, and you will be able to answer some of these gentlemen, because it has been well cared for in that.

Mr. FRISBIE. I was told that it had been.

The CHAIRMAN. But the farm tenancy bill will not take care of a housing project in a little town of 1,000, 2,000, or 2,500 population.

Mr. MCGRANERY. No, but it will take care of the individual farmer.

Mr. HANCOCK. Nobody under the farm-tenancy bill is subsidized. Let us keep the record straight on that. That is a good measure, and we all agreed to it. Probably most of us are going to agree to some measure——

Mr. MCGRANERY (interposing). Why do we say subsidy in the farm-tenancy bill? We say loan and interest, but, in its final analysis, it is a subsidy.

Mr. FRISBIE. We tried to be honest in this bill and come right out and tell you what we were doing.

Mr. HANCOCK. In the farm-tenancy bill you lend money to that class of tenants that need assistance at 3 percent, and they have to pay it back over a period of years. In this bill you lend it to the housing authorities at the going rate of interest, 2½ or 3 percent, and then you subsidize the tenants for 60 years—quite a difference, don't you think?

Mr. FRISBIE. We fellows in the cities who have lived with this project so long have been contributing to subsidizing slums. We thought it was a part of the general welfare work to take care of the health of the city, to prevent the spread of measles and other diseases.

Mr. HANCOCK. I want to say for the record that since I have been in Congress, over a period of 8 years, the Representatives from the larger cities have usually been sympathetic toward problems facing the farmers. That is particularly true of those from the State of New York.

The CHAIRMAN. I have been here longer than you have. I have seen the time when that was not always true, but I am thankful to say it is true now.

We will recess until 10:30 tomorrow morning.

(Thereupon, at 5:25 p. m., a recess was taken until tomorrow, Thursday, Aug. 5, 1937, at 10:30 a. m.)

TO CREATE A UNITED STATES HOUSING AUTHORITY

THURSDAY, AUGUST 5, 1937

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., to resume consideration of H. R. 5033, Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Steagall, Goldsborough, Reilly, Hancock, Williams, Spence, Ford, Brown, Patman, McKeough, Evans, Transue, Wolcott, Fish, Luce, White, and Crawford.

The CHAIRMAN. The committee will come to order.

Mr. HANCOCK. Mr. Chairman, before we proceed with the next witness, I wish to call attention to a letter that I wrote to the Secretary of the Treasury on March 23, 1937, respecting H. R. 3487 introduced by me, and to have it made a part of this record. To date I have never received a reply to that letter.

The CHAIRMAN. Very well.

(The letter referred to is as follows:)

MARCH 23, 1937.

Hon. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: Having noted your concern as to the financial provisions of the Wagner housing bill (S. 1685), I am venturing to call to your attention a bill which I have introduced (H. R. 3487), embodying the principles and much of the language of the Wagner bill as it passed the Senate last year. My measure is the result of rather extensive studies of the whole question of low-cost housing, both in this country and in Europe, particularly England, and discussions with leaders interested in various phases of housing and housing finance. While we are all agreed on the praiseworthy objectives of the Wagner bill, frankly, as drafted, it places no realistic limitations on the class of people who are to receive the benefits of subsidized housing or the type of such housing to be constructed. Under its provisions it would be possible to deal with an income group, to subsidize whose housing would not only go far beyond the ability of the Government, but would be most unfair to the very class we are all anxious to aid, namely, the lowest-income group.

In H. R. 3487 I have endeavored to approach the initiation of such a far-reaching permanent Federal policy in a more modest way, as regards financial outlay, and to more strictly confine the scope of the bill to the group of people least able to pay their way. Also, by requiring greater cooperation from local and State authorities, particularly as regards proper zoning, planning, and demolition laws, expenditures would be, to some extent, restrained and made more effective.

I might note the following differences in the two bills for your consideration:

In my bill I provide for an initial appropriation of $10,000,000 and the Authority is authorized to issue obligations not to exceed $150,000,000 annually for 3 years, after July 1, 1937, while the pending Wagner bill appropriates $51,000,000 and authorizes bond issues of $200,000,000, $250,000,000 (2 years), and $300,000,000 annually for 4 years after July 1, 1937.

In an effort to lessen the financial burden of the Federal Treasury and utilize private capital seeking investment in this field, I have drawn upon British experience and provided a means whereby private capital can participate in the financing of projects under the Authority. This will be found in section 18 (f) of H. R. 3487, and I particularly commend this section to your consideration. The same principle was incorporated in the British Housing (financial provisions) Act of 1933 and, from all reports, is meeting the problem of supplementing Government funds with private capital with increasing success. Under this arrangement the lending institution and the United States Housing Authority and the county, city, or public housing agency jointly underwrite or assume losses until the indebtedness is reduced substantially and until time has proven that the project can operate on an economic and successful basis.

In the way of restrictions I call your attention to section 2 (1) and (2), which attempt to more clearly define the neediest class of people who are to receive the benefits of public housing and the type of such housing. Then, in section 3 (c), in an effort to insure close scrutiny and the judgment of an experienced representative group on all proposals for such housing projects, I have provided for a public-housing finance commission, composed of 12 members appointed by the Administrator (H. R. 3487 puts the administration under one man, the Administrator, rather than a body of three as provided in the Wagner bill) and representative of the public-housing, mortgage-credit, and construction interests and organizations, and the geographical divisions of the country, who are to act upon all recommendations of the Administrator as regards grants and loans. This provision also follows the British precedent, where recent legislation has created a central housing advisory committee.

As a further restriction I have endeavored to insure the cooperation of local and State authorities, not only as regards the financing but as to securing proper zoning, planning, and demolition laws before grants or loans are authorized (sec. 9 (d)). Many public-housing authorities feel that such a provision is not only desirable but absolutely necessary to any really effective approach to the housing problem. Without such laws, the new housing provided with public funds cannot possibly eliminate unsafe and insanitary dwellings or reach the class of people intended to be assisted by public-housing legislation.

I am personally deeply concerned with this whole problem, and my only desire is to assist in every way in making the public-housing program of the Government as effective as possible in reaching the truly underprivileged class of our population and, at the same time, having it on a financial basis where the funds from the Federal Treasury may be supplemented by private capital and the risks involved reduced to a minimum.

If I can be of any assistance in clarifying this very hasty review of the provisions of my bill, I am, of course, at your service.

Faithfully yours,

FRANK HANCOCK.

The CHAIRMAN. Mr. Secretary Ickes is with us this morning. We are glad to have you, Mr. Secretary.

If you desire, the committee will be glad to permit you to make an uninterrupted statement before interrogating you. You may proceed in your own way.

Secretary ICKES. I understand that the questions come fast and furious when they once begin.

The CHAIRMAN. And sometimes not entirely germane.

STATEMENT OF HON. HAROLD L. ICKES, THE SECRETARY OF THE INTERIOR

Secretary ICKES. The statement that I would like to be permitted to make today, Mr. Chairman and members of the committee, with your permission, is largely extemporaneous. I did not know until yesterday that I was to come down, and I thought that I would prefer to come in and discuss the matter more or less informally, anyhow.

I would like to start by saying that I suppose it is very generally known that I have had a great interest in the question of slum clearance and low-cost housing; at least, ever since I became a member of this administration, I doubt whether any member of the administration has uttered more feeble words on the subject on various occasions during the last 4 years than myself.

In general, I am in accord with the principle of this bill and the companion bill which is now pending in the Senate. I have believed, and I now believe, that both socially and economically it would be of great advantage to the country if the people were properly and decently housed. It would improve health; it would improve moral conditions; it would do away with a great many vicious surroundings which result in turning out many more criminals than we need to have in the United States, in my judgment.

I have had an opportunity during the last 4 years, since I was made Administrator of Public Works, to take a part in some very interesting experiments in the United States in housing. Now, I know that there has been criticism in a good many quarters, and perhaps some of it not too badly founded, that our experiments have been expensive. I hope, however, that none of you will confuse our work in housing, under the housing administration of the P. W. A., with other activities that have been much more criticized than those of our P. W. A. Housing Division. As a matter of fact, there has not been much criticism of housing, and generally I may say that when we inaugurated our clum-clearance and low-cost-housing programs, which were confined entirely to cities where we have the most objectionable slums, and slums of the widest extent, we were undertaking something that had not been tried in this country before. There had been some limited-dividend enterprises, privately financed, but they were not for people in the lower income groups, but they were for white-collar people who could pay a reasonable but not an exorbitant rent.

One of the first difficulties that we ran up against was our inability to condemn land. Now, I need not argue to a committee such as this that if you go into a community with the intention of cleaning out some slums, and perhaps you buy some property, if you have to do that by negotiation, the owners of that property are going to ask you much more than it is worth. So we started in to try to condemn. We were stopped by the courts in that endeavor with respect to a piece of real estate needed in Louisville, Ky. That put a great crimp in our program, and the result was that we had, by negotiation, to accept, in such an instance as New York City, where a housing authority had been created and where the housing authority had the right to condemn, the assistance of the city.

I think that we have made a very good showing. Any specific information on any aspect of the housing program that we have been prosecuting so far, we will be glad to furnish, if you want, for the members of the housing administration are here, and they are more familiar with the actual figures and details than I am.

But I do beg of you to keep slum clearance and low-cost housing as carried on by the Housing Administration of P. W. A. in a separate compartment in your mind, and do not mix it with other endeavors which have been criticised and which some of you may have criticised, thinking that you are criticising what the Housing

Administration has done. I think, considering the fact that we had no plans, that we had no precedents, that we had no guide of any sort, and that the thing was necessarily experimental, we have done a creditable job. That seems to me to be proved by the fact that after some of our housing enterprises began to be built or neared completion, we became flooded with application supported by Members of Congress and by Members of the Senate, by Governors and mayors, for housing projects in the various cities of the country. To the extent that those projects were supported and strongly urged upon us by Members of Congress, I think that we are justified in saying that they have not been wasteful, that they have not been extravagant, that they have not cost too much, because I take it for granted that a Member of Congress would not urge us to spend money out of the United States Treasury recklessly and improvidently.

Now, that brings me to one phase of this bill in which I am particularly interested. I have already said that, in general, I endorse the principle underlying the bill. Now, I have here a very short written statement that I would like to read, if I may, and then I would like to supplement that after I have read it. This refers to the independent administration set-up in this bill and in the Wagner bill.

In its recent action on the Bankhead-Jones Farm Tenant Act, Congress recognized the wisdom of the course of having corporate agencies created in a department instead of setting them up as independent agencies. Originally this bill, as introduced in the House (H. R. 8), provided for a separate agency independent of any existing department, except that its three officers were drawn from the Treasury Department, the Department of Agriculture, and the Farm Credit Administration. Later a revised bill was introduced and passed in the House (H. R. 7562). In reporting on the revised bill which eliminated the provisions for an independent agency and placed the administration of the program under the Secretary of Agriculture, the House Committee on Agriculture stated that:

> No other agency of the Government has the facilities to carry on the various different activities authorized. * * * Further, concentrating all these functions under a single Cabinet head is in line with the recent recommendations of the President with respect to organization of the executive branch.

The Bankhead-Jones Farm Tenant Act (Public, No. 210) as it was finally passed, provides for the creation of a Farmers' Home Corporation within the Department of Agriculture. The board of directors of this corporation are made subject to the general supervision of the Secretary of Agriculture.

I believe that the administrative provisions of the Bankhead-Jones Farm Tenant Act should serve as a guide in the creation of corporate agencies with executive functions. I recommend that the administrative provisions of the Steagall housing bill be amended so that the United States Housing Authority will be created within one of the executive departments.

Of the existing departments, the Department of the Interior, through its association with the Public Works Administration has had more experience with public low-rent housing than any other department in the Government. The Public Works Administration, for more than 4 years, has been engaged not only in administering a Federal low-rent housing program, but also in financing and supervising the construction of thousands of non-Federal public-works projects. A housing program, such as is contemplated by the Wagner housing bill, will require a type of experience and personnel which is so closely related to the work of the Public Works Administration that the two programs should be administered in the same executive department, in the interest of economy and efficiency.

If the United States Housing Authority were placed under the Secretary of the Interior, he could utilize the experience of the Public Works Administration and thereby avoid the loss of time and money which would otherwise occur in launching a housing program. The establishment of the Authority under the Secretary of the Interior need not interfere with its being transferred later to any department which may be regarded as more appropriate, pursuant to a reorganization of the executive departments.

I believe, therefore, that the bill should be amended to make the Administrator and directors of the United States Housing Authority responsible to the Secretary of the Interior. Such an amendment would conform to the President's recommendations on reorganization, would promote efficient administration, would facilitate the coordination of the functions of the Authority with those of the other executive departments, and would insure that the housing program will be undertaken with the full benefit of the experience of the Public Works Administration.

A number of housing bills have been introduced in the House of Representatives which have recognized the wisdom of placing the Authority under the Secretary of the Interior. This was true of the original bill introduced by the chairman of this committee (H. R. 1544); the bill later introduced by Congressman Goldsborough (H. R. 1644); and the bill introduced by Congressman Hancock (H. R. 3487).

Now, Mr. Chairman and gentlemen of the committee, what is proposed under this bill, and under the Wagner bill, is this, to set up an independent agency to carry on a purely executive function. What questions of policy will this board have to pass upon? It is purely executive. We have operated a housing agency under Public Works for 4 years, under a Director of Housing. We have not felt it necessary to surround him with three or five associates, members of a commission, or advisory committee, each drawing $10,000 or $12,000 a year, each with an executive assistant and a secretary, and the office force and office space, and what not. Why treble or quadruple the administrative expenses in such a manner as that?

Moreover, it does not make sense for one committee of the Government, at this very hour, to be holding hearings with a view to combining and coordinating the independent agencies of the Government, while another solemnly proposes to set up a new independent agency. If it would be more efficient, that would be another thing; if it would be more economical, that would be a different matter; if it were to have judicial functions, that would be still different, or even if it had quasi-judicial functions, but it is purely executive.

As Secretary of the Interior for 4 years, with whatever degree of success I have achieved, I have been able to run the Interior Department and the Public Works Administration, including the Housing Administration, all on one salary, and here it is proposed to carve one function out of Interior and Public Works and put three or five

executives in charge, each at a salary of one executive who would be able to do the work that much more efficiently.

Now, I have suggested that the proper location for this agency is in the Interior Department, but if you do not want it send it to Interior, send it anywhere you please—send it to Treasury, send it to Agriculture, send it to Commerce—but I beg of you to think very carefully before you set up an agency which will become cumbersome, which will be expensive, and which may be inefficient, and the only real reason, the only real object of which will be to create some unnecessary jobs.

We either ought to fish or cut bait with respect to reorganizing the executive departments of the Government. We either ought to create everything in the form of a new agency, or we ought to try to bring things together in a comprehensive and cohesive and intelligent manner under the existing departments so far as possible, and, if they are not adequate to take care of it, let us create new departments. There would be just as much logic in passing a bill providing for three Secretaries of the Treasury, or three Secretaries of Agriculture, as there is to pass a bill providing for three or five executives of an agency which, compared with the great departments of the Government, would be a small affair. As I say, to me, it does not make sense.

Now, as I have already told you, I agree with the underlying principle of this bill. I think that it would be a serious mistake to pass this bill with the executive set-up as provided in the bill. I think that over in the Senate, they have amended that five down to three. This bill, I believe, Mr. Chairman, provides for a commission of five.

The CHAIRMAN. It is just the reverse.

Secretary ICKES. Three can do the work of five just as well, or better, and I think one can do it still better, since it is purely executive, and it does not stand on the same basis as the Interstate Commerce Commission, or the Federal Trade Commission, or any of the independent agencies which have quasi-judicial functions. This would not operate in that way at all. It is purely executive, and as the bill was amended in the Senate yesterday, no allocation can be made for a housing project without the approval of the President, so we would have an independent agency, plus the President, acting with respect to the allotment for each housing project. I think it is quite proper and right that the President should have the final say with respect to an allocation for a housing project, but if the President is supervising, you certainly do not need a chairman of a housing commission and two or three highly ornamental supernumeraries.

The CHAIRMAN. Mr. Secretary, this bill, as we understand, represents sort of an interdepartmental agreement or program. Was the suggestion that you now make discussed and considered in the conferences out of which the bill grew?

Secretary ICKES. I was invited to sit in only one conference, and at that conference only the financial features of the bill were discussed, and naturally the burden of that discussion fell upon the Treasury Department. I have expressed before the Senate committee my other views, that I have repeated here. Originally, under the bill last year, a board of five was to be created if the bill passed, and they were all to have the same powers and functions. I think that there is a little differentiation there, and I flatter myself that my strenuous objections have been listened to, at least to that extent. There is to be one administrator now; I think the chairman is to be the administrator, but he is to have two or three profound advisers, and what they are to advise him on I do not know.

The CHAIRMAN. If we embark on this program on a Nation-wide scale, it represents an undertaking almost unprecedented, does it not?

Secretary ICKES. You always add. It is difficult to subtract, Congressman.

The CHAIRMAN. The activities involved, and the expenditures to be incurred over a period of years, will be considerable.

Secretary ICKES. Admit that; that is not an argument for a cumbersome board. As Administrator of Public Works, I have been responsible for the expenditure of some $4,000,000,000 in 4 years, and it was not considered necessary to hamper or to clutter up that administration with a board.

The CHAIRMAN. Of course, your activities were somewhat in the nature of efforts to deal with an emergency.

Secretary ICKES. And for that reason were all the more difficult.

The CHAIRMAN. And, of course, they involved greater difficulties, more haste and more loss, compared to what might be done in a normal way.

Secretary ICKES. Congressman, as I look back, after an experience of 4 years, I do not see how that program could have been carried out more economically.

The CHAIRMAN. But my suggestion is not in the nature of criticism whatsoever. I rather intended it as an answer to any criticism that might be offered.

Secretary ICKES. I do not think the Congressman would want to occupy the unique position of being a critic of the P. W. A.

Mr. FORD. I am very deeply impressed with the suggestions of the Secretary, and I am inclined to think that he has offered one of the most constructive amendments that have been suggested.

Secretary ICKES. Please understand that I am not pleading for the Department of the Interior, but it ought to be put in an existing department of the Government. We have talked for years about doing away with independent agencies, and every time a new governmental operation comes along, what do we create? We create a new agency, and proceed then to talk about abolishing it.

The CHAIRMAN. Mr. Secretary, I imagine that those who might prefer the scheme provided for in the bill—and I may say that I am not averse to following your suggestion—would be much more inclined to do what you suggest if they were sure that the administration would be placed permanently in your hands, but the fact is that while you are a young man——

Secretary ICKES. Thank you; younger than I look.

The CHAIRMAN. You may not be in your present position for a great many more years.

Secretary ICKES. Well, the same argument might have been made when they put a Bureau of Reclamation in the Department of the Interior, or the Park Service in the Department of the Interior, or the Indian Office in the Interior Department, but you can limit the term of your administrator; he can still be in Interior. You can give him a 4-year term, and you can give him his appointment sub-

ject to the approval of the President. Doesn't that give you ample protection against the Secretary of the Interior, as a matter of fact, if you have to be protected against the Secretary of the Interior, which I do not believe. I think that the Interior Department is going to have an entirely different history than it has had in the past, in some one or two spots.

Mr. LUCE. Mr. Chairman——

The CHAIRMAN. Mr. Luce.

Mr. LUCE. Mr. Ickes, you referred to various housing activities that have been carried out by the Interior Department.

Secretary ICKES. Yes.

Mr. LUCE. Will you tell us what their present governmental status is?

Secretary ICKES. They belong to the United States Government, and are operated directly by the Government, except as to our New York City housing projects. In New York City we have leased them to the housing authority, and our policy is to lease or sell these projects to the local communities when they have set up housing authorities which are in position to take them over.

I would like to interject another thought at this time, if I may, Congressman Luce. It was the Public Works Administration which drafted bills, through its legal department, and sent them out to the Governors of the various States, with the approval of the President. Thirty States have now adopted these bills, practically uniform bills. I understand that now there is an effort on the part of some of those housing authorities to come in and destroy all of our experience, just wipe out the Housing Division of the Public Works Administration, set up an entirely new agency, and start all over again. There are some who suggest that we entrust the program to those who have not had any experience at all.

Mr. LUCE. Can you tell me how many of these projects, or how large a proportion of them, have been turned over to the local authorities?

Secretary ICKES. Just the two in New York City.

Mr. LUCE. And what would be their status if your amendment would be adopted?

Secretary ICKES. There would not be any change in the status of those two. There has been a valid lease entered into.

Mr. LUCE. Then you would have two distinct offices connected with housing?

Secretary ICKES. Oh, no; not so far as those projects are concerned, unless there is a default in interest or nonpayment of the principal when due. They are operated by a lessee, just as any other piece of property would be, and we have nothing to say about it.

Mr. LUCE. There is another aspect of this question. I am in full sympathy with the purpose of the bill, if that purpose can be achieved in a legitimate way. When I came down here some 18 or 20 years ago there was just beginning to be adopted a system that has come to be popularly known as 50–50, under which new enterprises were to be financed half by the Federal Government and half by the localities. That system I always doubted, but it seems that it is no longer to be questioned now that we have built up a wonderful system of public highways.

But the tendency to go still further has been developing with great rapidity of late, and now we are confronted with a proposal that reforms, shall I call them, of great public good to the communities shall be financed primarily by the Central Government. Montana has not the slightest interest in the slums of New York, but that State has to pay its taxes to remove those slums, and the whole affair is to be a Federal affair. The consequence is that the mayor of the biggest city of the United States comes down here and asks that the pennies of Montana, Arizona, New Mexico, and Wyoming shall be taken for the benefit of the city of New York, and it seems to me that we have not yet had a further departure from the principle of local government than is now placed before us.

Could you tell me why we should not at least follow the 50–50 system, or make it 25–75, if you want, but some system under which local benefits and local advantages shall be paid for out of local taxation?

Secretary ICKES. I would be glad to tell you my views on it, Congressman. Most of these cities are up to or so near their debt limitation that they could not participate in any effective program of slum clearance. But over and above all that, it does not seem to be purely a local question. When the United States goes to war, it is not a local question as to whether the slums shall furnish their fair share of soldiers. We go in and take them. Now, if they have been breeding undersized, rickety, underfed men in those slums, we do not get the men to defend our country when we need defenders, and so it is a bigger question than a local question, Congressman. It is a question of raising sound men and women who are, regardless of their local residence, citizens of the United States of America. That is the way I look at it.

Now, it would be highly desirable for local governments to solve the problem. I wish that every city in the country could see its duty and were able to perform its duty when seen, but if they cannot or won't do it, then it may devolve upon the United States Government. I think that Federal aid for slum clearance and housing can be justified on the ground of economy, to the degree that you are carrying a load of underfed, badly nourished men and women who cannot look forward to a normal life of average activity, and to the extent that you are breeding children in surroundings that are conducive to degeneration and crime and vice—all of which result in loading down our national economy.

Mr. LUCE. I concur with everything you say there.

Secretary ICKES. And my answer is that if local governments cannot do it, we must.

Mr. LUCE. If it is of vital importance, of course the legislatures of the States can meet the situation as far as constitutional limitations can permit, and, if they prevent, constitutions can be changed in the States.

Now, in principle, the arguments that you present would apply even more strongly to the matter of good roads. From the time of the Romans, it has been known that good highways are essential in time of war, and they are as great a Federal concern for us as they are a local concern, but we say that it is important that the States shall feel their responsibility in this matter, that they shall have a

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share in the decision in this matter, and therefore that the States shall have to contribute one-half of what is spent on good roads.

Now, there has not been a break in that in the last generation in Congress until now, except for the temporary exigencies of the depression, but here is a system where it is contemplated the projects shall be financed for 60 years by the Government, and, therefore——

Secretary ICKES (interposing). Well, all that I can say is to repeat what I have said, that it would be highly desirable. I would not argue for a minute with you, Congressman Luce, on your theory. I think that it is a perfectly sound theory. It is only to be hoped, and I am still optimistic enough to hope, that when the benefits of slum clearance have been brought home by actual results to local communities and States, that they will participate in this program on a fair basis.

Mr. LUCE. But why not compel them to participate?

Secretary ICKES. We cannot. How would you compel them? The State is sovereign. We could not compel Massachusetts.

Mr. LUCE. We have solved that in the matter of highways. It has there been accomplished most efficiently, and to a very huge extent, and in other 50–50 propositions.

Secretary ICKES. Well, some people are more interested in highways than they are in children.

Mr. LUCE. That is not an answer, begging your pardon.

Secretary ICKES. The one has to be built, and the other is an act of God, but I am more interested in children, and I am willing to go as far as possible in order to give us a sound, well-brought-up childhood, because, after all, we then get good citizens.

Mr. LUCE. But once you start on a venture of that kind, you may say that the dual system of government is ended.

Secretary ICKES. I admit that there is that danger, but we have been going along in housing from bad to worse ever since the Republic was founded, until we now have some astonishing results in the form of slums.

Mr. LUCE. But here is the novel proposition that the Federal Government shall assume complete authority and responsibility for a local function, primarily local. I admit that there is a factor of Federal interest in the thing, and I should not demur if we did not depart beyond the point that we have already reached.

Secretary ICKES. I have every respect for your point of view. I can see how it can be held with the utmost sincerity, but I just have a little different slant on it, and I would merely be repeating what I have already said if I should indulge myself further in the pleasure of discussion with you.

Mr. LUCE. That is all that I have, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, Monana has been referred to; States in its financial category would not suffer from taxation because of any undertaking of this kind on the part of the Federal Government, making the Federal Government the unit of taxation, would they?

Secretary ICKES. As a matter of fact, New York is more likely to help Montana than Montana is likely to help New York.

Mr. LUCE. Do you think that Montana does not contribute anything toward civic projects?

The CHAIRMAN. The point that I am undertaking to make is that New York is the largest Federal tax-paying State in the Union, and any scheme to tax both New York and Montana, if the benefits are distributed fairly, will certainly inure to the benefit of Montana.

Mr. LUCE. These benefits are all going to the big cities of our country.

The CHAIRMAN. That is a matter that the future will determine, but as far as we see right now, the greater proportion of the benefits will probably go to the larger cities.

Mr. MCKEOUGH. May I ask the Secretary a question?

Mr. Secretary, I was much impressed with your observations as to the national character, just from the standpoint of benefits, of this slum-clearance legislation, and I am just wondering whether or not your experience, as the Administrator of Public Works, including housing, has strengthened that opinion, whether the benefits that have accrued from the housing activities of P. W. A. have been sufficient to warrant a strengthening of your opinion that this is a national picture.

Secretary ICKES. Well, in this sense, Congressman: Of course, we have not been able to watch the effect on a new generation of better housing conditions and more healthful surroundings, but the deeper we get into the study of morals, the deeper we get into the study of the cost of slums, the more deeply are we impressed with the necessity for slum clearance.

Mr. MCKEOUGH. And you have a right, as the result of that experience, to look forward to a higher expectancy of benefit?

Secretary ICKES. I do not think that that can be reasonably doubted.

Mr. MCKEOUGH. What I am attempting to bring out is that I share your view that this is a national benefit, even though it may be provincial in its application, and there is one thing you have said that has impressed me, and that is that when the Nation is in danger, they reach into the population wherever that population might be located for the defenders of the Nation. I have in mind, for instance, that in the district that I have the privilege of representing, including South Chicago, there is an opportunity to bring into play the benefits of this particular legislation, where there are many families living now in housing that certainly is not up to the American standard, and in which families have contributed, in the last World War, as many as five stalwart defenders of the Nation's honor.

Secretary ICKES. Yes; and, on the other hand, if I remember correctly, a great many men from districts of that kind who were called could not be accepted, on account of physical disability, and those disabilities were clearly and distinctly traced to the conditions under which they had been brought up.

Mr. MCKEOUGH. That is right.

Mr. REILLY. Are you in favor of continuing the demonstration projects, as provided in the bill?

Secretary ICKES. I think that perhaps we have not exhausted all of the possibilities so far as demonstration projects are concerned, but I also think that when we shall have finished with the slum-clearance projects that we have already built or have in course of completion we will have a thoroughly complete laboratory.

Mr. REILLY. Are you in favor of providing a sum for limited profit set-ups?

Secretary ICKES. No; I am not. We abandoned that very early in our Public Works Administration. We financed seven limited-dividend projects, and I personally threw them out of the window, because it did not seem to me that that was the thing that we should be interested in.

Mr. HANCOCK. How many of the projects under way by the Housing Division have been completed and occupied?

Secretary ICKES. Will you answer that?

Mr. H. A. GRAY. There are nine occupied now. There will be 4 or 5 more by the 15th of August, and about 45 between now and January.

Secretary ICKES. Mr. Gray is Director of the Housing Division of P. W. A.

Mr. HANCOCK. They are all Federal projects?

Secretary ICKES. They are all Federal.

Mr. HANCOCK. In the case of the two that you mentioned awhile ago, which you have leased to local authorities, do those projects become eligible for assistance under this law?

Secretary ICKES. Restricted to citizens, you mean?

Mr. HANCOCK. No; do they become eligible for financial assistance or annual subsidies?

Secretary ICKES. I may be subject to correction, but I would not think so.

Mr. FOLEY. That is right. They would not be subject to financial assistance while they are leased.

Mr. HANCOCK. As long as they are owned and operated by the Government, they would of course become eligible for subsidies under section 9 of this bill, would they not?

Secretary ICKES. As long as they are the property of the Federal Government, the Federal Government would have to keep them financed and properly maintained, just as a private individual would have to keep his property. Otherwise the properties would go to pot.

Mr. HANCOCK. What is your procedure in making those projects real low-rent housing projects?

Secretary ICKES. Well, we figure in a subsidy of 45 percent, just as we have on our other public-works projects, and we keep the cost down as far as we can. Of course, in considering cost, it must be borne in mind, as I referred to in my opening statement, that we have been under great difficulties, because we have had to buy land by negotiation except only in the city of New York, which exercised power to condemn on behalf of the Federal Government. While we are keeping cost down, we have never cut our labor. Labor has been paid the local going rate in every instance, and as the members of the committee are aware, that is a high rate. We have just exercised all of the ingenuity of which we were capable in devising economies consistent with building a substantial structure that would outlive its period of amortization. We have cut down all the costs, and we have tried to keep down operating costs, and that is about all that one can do.

Mr. HANCOCK. After writing off the 45 percent, what is the average rental charge per room?

Mr. GRAY. Five dollars and thirty-four cents is the average of all of our projects.

Secretary ICKES. And that is pretty good, I will submit, when you consider the difficulties under which we have had to build.

Mr. HANCOCK. Based on the provisions of the pending bill, that would house a class of people who have an income of approximately $1,000 or over. Isn't that correct?

Secretary ICKES. $1,000 to $1,200, along in there.

Mr. HANCOCK. Mr. Ickes, from your knowledge of the provisions of this bill and its purposes, what percent of that class of our people that is constantly referred to as "one-third of our citizenship who are ill-clad, ill-fed, and ill-housed"——

Secretary ICKES. I am afraid that it is more than a third, but we will take one-third.

Mr. HANCOCK. Just assume it for the purpose of argument. What percent or what part of that one-third would benefit under this bill, in your judgment?

Secretary ICKES. Of course, that would depend upon the per-room cost in the final analysis. I do not know what, when they get going in the operation of this bill, the per-room cost will be. Labor costs are higher now and material costs are higher. They may be able to build more cheaply, if they have the power of condemnation, and they may be able to get land more cheaply, but that would be only a guess.

Mr. HANCOCK. Do you think that the provisions of this bill would extend to any group of our people whose family incomes were less than $700?

Secretary ICKES. Well, I say that they ought to.

Mr. HANCOCK. How could you make them do it?

Secretary ICKES. Well, I may get in friendly difficulties with Congressman Luce, but I think it is an obligation on the State to see that all of its citizens, except these derelicts, those who won't work and do not want to work, should be properly housed, in the interest of national health and national economy.

Mr. HANCOCK. Have you——

Mr. LUCE. Just one moment. I would not have the Secretary for a moment think that I do not agree absolutely with him on that.

Secretary ICKES. I know that you agree on that.

Mr. HANCOCK. In view of the subsidy ceiling, so to speak, that has been fixed in the bill, how could you possibly build dwelling units at a cost of, say, $1,000 a room, and make it come within the reach of families whose incomes were $700 or $800?

Secretary ICKES. We may not be able to.

Mr. HANCOCK. An amendment has been offered in the Senate, and adopted, as I understand it, which directs this legislation toward those in the lowest-income brackets, which is a provision similar to the one in the bill that I introduced. Do you think that there is any practical or possible way to make this legislation help that group?

Secretary ICKES. You mean on the basis of the limitations of this bill?

Mr. HANCOCK. Yes.

Secretary ICKES. I very much doubt whether we can reach those people who are on relief or who lack sufficient income to pay even the proposed low rentals.

Mr. FISH. May I ask some questions?

Mr. HANCOCK. Are you familiar, Mr. Secretary, with the amendments offered and adopted by the Senate?

Secretary ICKES. They have been so fast and furious that I have not been able to keep up with them.

Mr. HANCOCK. In endorsing the original Wagner bill of last year, and the first Wagner bill of this year—and you are present here to endorse the House bill—do you mean that you are merely endorsing the general objectives?

Secretary ICKES. That is it.

Mr. HANCOCK. You would not care to pass on the soundness of the financial provisions of any of these bills, would you?

Secretary ICKES. I think that it might be well at this point for me to say that I have been spending a good deal of my time in the hospital, and among the light reading permitted me by the doctors has not been the Steagall bill, so I am not as familiar with its precise details as I might be.

Mr. HANCOCK. If you had confined your reading to either one of these bills, you probably would not be here today.

Secretary ICKES. I think that that is right. I am merely endorsing the general objectives.

Mr. HANCOCK. Are you opposed to local financial assistance?

Secretary ICKES. By no means. I am for it.

Mr. HANCOCK. Mr. Secretary, is it not your best judgment that local financial assistance is not only desirable, but absolutely necessary, if this legislation reaches the lowest-income families?

Secretary ICKES. I think, ultimately, that is true. It is always desirable and will be necessary before we can carry the benefits so far as they ought to be carried, and I have always believed that the local communities, Congressman Luce, ought to be dragged in by their ears, if necessary.

Mr. LUCE. Good.

Secretary ICKES. And I think that they ought to forego taxes and charges for municipal services, because statistics show, and they have been taken by disinterested bodies in more than one city with respect to certain slum areas, that they cost the municipality more than they yield in taxes, and the municipalities ought to take that into account.

Mr. HANCOCK. Mr. Secretary, would you, for the benefit of the committee, give us your concept of the practical operations of this bill, beginning, for instance, with an application filed by a local housing authority in Winston-Salem, N. C., to illustrate, and bring it up to completion, and the possible cost and character of structure, and the class of tenants that would be selected and how they would qualify?

Secretary ICKES. I am glad that I got my disclaimer in in time. I do not believe that I can do it, but there are members of my staff who could.

Mr. HANCOCK. I am seeking that information, for the reason that we are going to be called on when we reach the floor of the House to give practical illustrations of how the bill would apply here, there, and yonder.

Secretary ICKES. I cannot tell that so far as this bill is concerned. I can tell it so far as public works is concerned. I know how we have operated. How this will operate I cannot say, because unfortunately, I have not been able to give much study to the bill.

Mr. HANCOCK. Mr. Ickes, if we do a complete job of slum clearance in the United States, and treat all of our citizens alike in the matter of providing better sanitary dwellings for them, what in your opinion would be the ultimate financial involvement to the Government, under the terms of this bill?

Secretary ICKES. It would be very large. I do not know. Beyond certain figures I cannot count, Congressman.

Mr. HANCOCK. We are used to very large figures.

Secretary ICKES. Very large figures.

Mr. HANCOCK. Would it be under $50,000,000,000, or over, in your opinion?

Secretary ICKES. Can anyone back there answer that?

Mr. FOLEY. It will be under.

Secretary ICKES. I do not know.

Mr. HANCOCK. I will be delighted to guide you. It has been estimated that between now and 1950, we will need approximately 15,000,000 dwelling units.

Secretary ICKES. Yes.

Mr. HANCOCK. Assuming that they are to be built at the maximum price of $4,000——

Secretary ICKES. Is that the total dwelling cost in the whole United States, of all classes, or merely slum clearance?

Mr. HANCOCK. My understanding is that it included all classes. But in order to meet the immediate needs under this bill of slum reclamation, it has been estimated that it would take around 5½ million dwelling units. I think that that is very conservative.

Secretary ICKES. I think that that is conservative. I would say that it would be more than that.

Mr. HANCOCK. At $4,000 apiece, that will be a little in excess of $20,000,000,000. Then, under the subsidy provisions of the bill, for a period of 60 years we would have to pay $40,000,000,000 additional, would we not, so that it would ultimately involve, at a conservative figure, around $60,000,000,000?

Secretary ICKES. I am glad that I am before a committee of experts, that can do its own figuring. I have not computed the total subsidy which would be necessary for a $20,000,000,000 program, so I am not in a position to comment on your figures.

Mr. HANCOCK. I think that it is well to let the country know what kind of a campaign we are launching here, and what is the ultimate objective, because you do not want to start here and give 175,000 families new homes and subsidies, and leave the other deserving classes out.

Secretary ICKES. Of course, it should be taken on the credit side of the ledger that a sustained building program of that, or possibly considerably lesser, volume in a series of years would practically insure that new economic era that we were promised under the preceding administration, if I am right, Congressman Fish, because of the work given to bricklayers, carpenters, and all the rest, you know.

Mr. HANCOCK. I do not want you to get the wrong impression from some of these questions. I admit as an off-set that there would be the value of these new projects, together with the wealth created to bring them about.

Secretary ICKES. Undoubtedly. We would be adding not only to the economic assets, but to the health and spiritual assets of the country.

Mr. HANCOCK. Then we might extenuate that impression that my questions created by subscribing, if there are some of us here who want to subscribe to it, to the doctrine that no nation can impoverish itself by employing its unused material, man power, and wealth in improving its equipment and resources. Do you subscribe to that?

Secretary ICKES. Yes; but I might say at this time that after I got deeply into the Public Works program, if it had been possible to expend all of the Public Works money for dwellings, I think that it would have been better spent than it was spent.

Mr. HANCOCK. How would you feel this morning if you were the Secretary of the Treasury facing this program?

Secretary ICKES. Off of the record.

* * * * * * *

Mr. FISH. As one Republican, and an unreconstructed Republican——

Secretary ICKES. You are not unreconstructed.

Mr. FISH. I want to say, as one Bull Moose to another [laughter], that I want to take this occasion to say that I concur in the amendment that you have offered here, largely because, to my own knowledge, I consider that you have handled the Public Works in an honest and efficient manner, and I think that if your amendment were adopted, and if this bill were turned over to your supervision, that we would get efficient and honest results.

Secretary ICKES. Thank you very much.

Mr. FISH. Now, on the other hand, you have had the benefit of experience in public work and also in connection with some of these buildings that are supposed to be low-cost housing.

Secretary ICKES. Are you referring to our low-cost housing, or to something else?

Mr. FISH. I am referring to some of the housing program that you have had under your control, which did not turn out to be low-cost housing, where the rooms are rented at $11.

Secretary ICKES. No; that was not ours.

Mr. FISH. Wasn't it, in the early days?

Secretary ICKES. Do you mean the limited dividend?

Mr. FISH. Yes.

Secretary ICKES. Those were not Federal projects.

Mr. FISH. I thought that you had general supervision.

Secretary ICKES. We loaned money there.

Mr. FISH. Didn't you have supervision?

Secretary ICKES. No; we had no supervision.

Mr. FISH. I am glad to know that. That was the thing that was really holding me back, because this is a different proposition.

Secretary ICKES. Before you came in I stated that after seven of those projects, I decided on my own motion to throw the whole program out of the window, and since then we have not helped finance limited-dividend projects.

Mr. FISH. In the early days, I thought that you had control and could regulate the prices of rooms, but I understand not.

Now, as to this bill, it seems to be the unanimous opinion of everybody that this must be a low-cost housing project, and those who have testified, including Mayor LaGuardia and practically everyone else, say that they want to get these rooms down to $5 a week, or six at the most.

Secretary ICKES. That is right, or even lower.

Mr. FISH. Or even lower outside of Chicago and New York. Do you figure that your Department could control the whole thing, under your supervision, without having three, four, or five special administrators to do this work?

Secretary ICKES. Why, Mr. Congressman, I think that they would just get in each other's way.

Mr. FISH. As you know, this bill provides for five, and the Senate passed an amendment limiting it to three.

Secretary ICKES. Yes.

Mr. FISH. One of which should be of the minority party, but whether that means anything, Mr. Secretary, I do not know.

Secretary ICKES. It still means something, Mr. Congressman.

Mr. FISH. A party means something, but whether it is ever carried out, I do not know. Perhaps if you had the appointment it would be. But do we actually need the three, if we placed the whole project under your supervision?

Secretary ICKES. I think that we need one able, upstanding, straight-shooter, who knows how to say no, and when you get a debating society trying to run an executive job it is always a question of compromise, of give and take. The weakness of it is not merely through inefficiency at the top; the weakness is in agreeing to something that the X member on the board wants, in consideration of something that the Y member on the board wants, and I cannot conceive of anything more inefficient.

Mr. FISH. Than having a board of three, or even a board of two?

Secretary ICKES. I would not want a board of two.

Mr. FISH. I am going to offer an amendment when we get to that stage, eventually, that there be one administrator, or whatever they call him in the bill, with two assistants. Of course, you have to have some assistants.

Secretary ICKES. Wouldn't that naturally follow?

Mr. FISH. And, of the two assistants, that they not be of the same party. That would not break your heart, would it?

Secretary ICKES. No; I might struggle along under that.

Mr. FISH. Because I sort of feel that it is sometimes wise to have the minority looking into the tent. Of course, in your Department those things do not happen, but sometimes irregularities happen, and you might just as well have minority representation.

That is the amendment that I propose to make, and to support as far as I can support your amendment, and I want to take this occasion to say, from the limited knowledge that I have of public works, that I want to commend you for what you have done.

Mr. GOLDSBOROUGH. Mr. Secretary, a few years ago we passed what was known as the Home Owners' Loan Act, and by virtue of that act we transferred about $10,000,000,000 worth of private debt to public debt. We did a lot in that connection for the credit class, but we did very little for the home owners.

I am wondering if it won't help this bill to indicate that this particular measure is clearly not in the interest of the class helped by the Home Owners' Loan Act, but that it is in the interest of that

part of our people who are reliable, willing to work, and anxious to provide for themselves, but who are not able to be properly housed under present conditions.

Secretary ICKES. If that is not the object of the bill, there ought not to be any bill.

Mr. GOLDSBOROUGH. You think that that is the object of the bill, don't you?

Secretary ICKES. I believe so.

Mr. GOLDSBOROUGH. Now, Mr. Secretary, we are going to be asked on the floor about the practical application of this bill if it becomes a law in small communities. My best recollection is that after a town gets about 1,000 inhabitants, it begins to have a slum area. It becomes very pronounced when the population gets around 2,000 or 2,500. How do you think that this bill can be successfully used in small communities?

Secretary ICKES. Well, theoretically it could. Whether it could be used practically, I do not know. Perhaps only operation under the bill would determine that question one way or the other.

Mr. HANCOCK. Mr. Secretary, from your knowledge and study of this measure, do you think that it is a genuine slum-reclamation measure, or more of a low-rent housing proposition?

Secretary ICKES. Well, it is hard to distinguish between the two in some instances. I think that it is intended to be a slum-clearance measure.

Mr. HANCOCK. It it is intended to be, and I hope it is, it is necessary that the so-called Walsh amendment be included in this bill, is it not?

Secretary ICKES. Of course, there are two ways of clearing your slums, one by replacement and one by siphoning out.

Mr. HANCOCK. Under the Walsh amendment, you could do either one.

Secretary ICKES. That is all right, then, if it is optional. I think the powers ought to be such as to make it easy to attain the results.

Mr. HANCOCK. Do you think that there is any danger that certain tenants evicted or dispossessed in the slum areas might not be able to meet the rental charges which would be necessary under the bills now in the two Houses?

Secretary ICKES. Well, that is the question that you and I have just been discussing. You raised the question whether, under this bill, families with an income of $700 or less could be accommodated in these dwellings. There is going to be a limit somewhere.

Mr. HANCOCK. How do you think that those families that would not be eligible for the benefits under this bill should be taken care of?

Secretary ICKES. As I have said publicly on more than one occasion, there is an obligation of the local, the State, and the National Governments, one, or both, or all of them, to provide decent, healthful surroundings for every citizen.

Mr. HANCOCK. Mr. Secretary, as a matter of fairness, if you are going to make loans to local housing agencies at the going rate of interest, plus one-half of 1 percent, which would be approximately 3 percent, and then, in addition to that, over the period of the life of the bill, you are going to subsidize the occupant, dont' you think that Congress ought immediately to reduce the interest rate which

the home owners in this country are now paying to the Home Owners' Loan Corporation?

Secretary ICKES. Mr. Congressman, you get me over into another department.

Mr. HANCOCK. I ask for your opinion, because I value it highly.

Secretary ICKES. I appreciate that, and I hope you do, but you are asking me to express an opinion with respect to the operation of another department of the Government, and that is always embarrassing to a modest man.

Mr. HANCOCK. I would not expect you to make any statement that would indicate that you were exceeding your proper jurisdiction.

The CHAIRMAN. Are you fully informed in that matter?

Secretary ICKES. No; I have not made an intimate study of it; just a curbstone study.

Mr. GOLDSBOROUGH. Mr. Hancock really means, don't you think, it is time that the Home Owners' Loan Corporation is doing something for the underdog.

Mr. HANCOCK. Well put, Mr. Goldsborough.

Mr. WILLIAMS. Mr. Secretary, as I understand this bill, there are two forms of subsidy provided for in it.

Secretary ICKES. That is right.

Mr. WILLIAMS. One of them is the capital grant——

Secretary ICKES (interposing). And the rent subsidy.

Mr. WILLIAMS. And the rent subsidy.

Secretary ICKES. That is the way I understand it.

Mr. WILLIAMS. Do you think they are both advisable?

Secretary ICKES. Well, there again I am not a financial or an economic expert. I assume, and I think that I am right in assuming it, that those who drew this bill had taken every factor into consideration. They wanted to save the Treasury as much of a drain as possible, and they have done that consistent with providing a program for low-cost housing, but any member of this committee of experts on banking and currency could show me up most frightfully if they got me into a financial or economic discussion.

Mr. WILLIAMS. Is it your opinion that any of these local public-housing authorities would take advantage of the capital grant under which they would necessarily have to make a local contribution, when under the other they could get the entire contribution from the Government?

Secretary ICKES. No; human nature being what it is, unless it changed yesterday, it is that they will take all that they can get.

Mr. WILLIAMS. And they would naturally get the annual contribution from the Government.

Secretary ICKES. That is the reason that we never varied our rule on public works. We knew that if we ever made a grant greater than 45 percent for one, we would have to do it for all.

Mr. WILLIAMS. It is your judgment in this matter, is it not, that it would be very desirable not only from an economic and financial standpoint but from the standpoint of efficient administration, that the local community make a contribution, a substantial contribution?

Secretary ICKES. I think it is highly desirable, and I think that anyone who has made an investment has an interest that he does not otherwise have.

Mr. WILLIAMS. And it would lead to a more efficient administration of the project?

Secretary ICKES. I think so.

Mr. WILLIAMS. If you laid down the standard in this legislation that is proposed here, and required a local contribution, don't you think that they would meet that requirement?

Secretary ICKES. Well, some of them cannot, Congressman. That is what we are up against; a very practical question. I am in full sympathy with the theory—I think it is sound in every way, but what are you going to do for these people who live in noisesome slums in a community that cannot make a contribution? If it could be devised, I would certainly be for it.

Mr. WILLIAMS. It has been very disturbing to me to have the mayor of the biggest city of the country come here and say that they cannot make a contribution. That city, and other cities like Chicago or St. Louis, may not want to do it; they have got into the habit of coming here, because we have been playing Santa Claus for them.

Secretary ICKES. Well, they have a very persuasive mayor up there in New York, you know.

Mr. WILLIAMS. Yes.

Secretary ICKES. He had good training before he became mayor.

Mr. WILLIAMS. Yes; he got his training here; but it has been my contention that if we lay down the rule here that these big cities or these States that say that they cannot do it were required to do it, they would come in just like they do on the road program that Mr. Luce referred to, and the road program is not all, for there is the legislation that was passed for flood control, which, of course, is recognized as a national problem, and which requires the local communities to bear all damages resulting by reason of the construction of dams and things of that kind, and that principle has been carried through all of this legislation, so far as I know, and it seems to me to be very desirable if it can possibly be done, to have that provision written into this legislation.

Mr. ICKES. I agree with you, if it can possibly be done.

Mr. WHITE. Mr. Secretary, I have in mind asking the committee to consider and, I hope, adopt or write into this law five and possibly six amendments which in substance would be, first, the guarantee of low-cost housing and rentals——

Secretary ICKES. That would be regardless of the interest or amortization? It seems to me that you would have to take either horn of the dilemma.

Mr. WHITE. Possibly that could be varied according to cost; but it seems to me that this is designed to be low-cost housing and it ought to be low-cost housing.

Mr. HANCOCK. There is no such thing as "low-cost housing."

Mr. WHITE. Second, the elimination of capital grants; third, cut down the period of annual contributions from the 60-year period to something more closely resembling the life of the project; fourth, elimination of demonstration projects; fifth, limiting the amount of funds to be spent in any one State to 10 percent; sixth, the possibility of devising some system of local contribution such as you have just been discussing.

Would you be willing to give your reaction to those propositions, other than the ones which you have already dealt with?

Secretary ICKES. Would you be good enough to read them one at a time?

Mr. WHITE. Low-cost housing—say, for instance, $1,000 a room.

Secretary ICKES. If you can build anything for $1,000 a room. We get nowhere if we replace a slum with a building that would be a slum in 5 or 10 years. We ought to have as low rent as possible, but that will depend upon how substantial a dwelling you have.

Mr. WHITE. What range of rents do you think is within the proper sphere of this bill?

Secretary ICKES. I would like to see rents not higher than $5 per room per month. You might go a little higher than that, or perhaps a little lower in some cases, depending on your community.

Mr. WHITE. If you are going to provide the rent within that range, do you think it is possible to provide it at a cost of over $1,000 and come anywhere near what we might term "reasonable practicality?"

Secretary ICKES. You can in some localities. Your building program is entirely different in Florida or New Mexico than it is in Massachusetts or Montana.

Mr. WHITE. What about an average cost of $1,000 a room?

Secretary ICKES. I do not know whether you could average that out or not. After all, the heavier proportion of slums is in the big cities, and the heavier proportion of the big cities is in the North, where you have very inclement weather in the winter.

Mr. WHITE. Don't you think some limitation ought to be placed upon this because of some of the conditions which have existed in some other forms of housing?

Secretary ICKES. What other forms of housing?

Mr. WHITE. We will take the so-called Tugwelltown.

Secretary ICKES. I would rather confine my observations to the housing under the Public Works Administration, where the average rent is about $5.50 a room.

Mr. WHITE. In Tugwelltown the cost has run as high as $16,000 a room and, on top of that, they spent $5,000 for landscaping.

Secretary ICKES. I do not know anything about that.

Mr. WHITE. For a 4-room unit.

The CHAIRMAN. I thought you said "$16,000 a room." I knew that we had not heard things like that.

Mr. WHITE. $16,000 for a 4-room unit, and $5,000 for landscaping. That I think is bad enough, and it seems to me that if we will get into that sort of thing by the operation of this bill, we will defeat the very purpose of the bill, and the fact that it has happened shows that it can happen again.

Secretary ICKES. I think the language ought to be such as to assure what we are trying to achieve, namely, low-cost housing, but I do not believe that you can put on a strict limitation on the room cost. You could establish a range.

Mr. WHITE. But you agree with the principle?

Secretary ICKES. I agree with the principle.

Mr. WHITE. No. 2, the elimination of capital grants. I think that you touched on that a couple of minutes ago.

Secretary ICKES. Yes.

Mr. WHITE. No. 3; what do you think about the possibility of limiting these annual contributions to a period less than 60 years?

Secretary ICKES. Well, that connotes jerry-building to me. You can put up a building that will last for 60 years.

Mr. WHITE. Yesterday we had a witness here——

Secretary ICKES (continuing). You do not want to build and then tear down and rebuild, because you will have a new crop of slums every 20 or 30 years.

Mr. WHITE. You think that a building would still be livable, and that it would be a perfectly useful thing, over a period of 60 years?

Secretary ICKES. There are a good many houses in various parts of the United States, even frame houses, that were well built and were well taken care of, that are habitable after a period of more than 60 years. Congressman Luce can show you such houses in his State. I have seen them there and in the South.

Mr. WHITE. I live in one myself that is 100 years old.

Secretary ICKES. I rented one over here in Georgetown that was over 100 years old, and I have been living in one up here on the Hill that is nearly 170 years old.

Mr. WHITE. But I think I would hate to finance that thing on the basis of 60 years.

Secretary ICKES. What is more economical in the long run, building a house that will stand for 60 years or 100 years, or building three houses that will last 15 or 20 years?

Mr. WHITE. You think it is perfectly all right?

Secretary ICKES. I know that if I were building a house, I would rather build one to last for me and my children and their children, if I could afford it, and I was sure of children and grandchildren.

Mr. WHITE. Do you think we have enough demonstration projects in existence, for example, in your Department?

Secretary ICKES. I answered that question before. I think that, generally speaking, we have. There may be a little more experimentation necessary, but very little.

Mr. WHITE. Now, do you think it would be fair to put all of this housing, or a considerable proportion of it, in New York City, and not take care of Cleveland, Cincinnati, and so forth?

Secretary ICKES. You know that if I am ill in a particular portion of my body, I want the doctor to treat that illness. I don't want him to spread that treatment all over my body, where I do not need it.

Mr. WHITE. And you think that this illness is pretty generally all over the country?

Secretary ICKES. It is disproportionate.

Mr. WHITE. But if the extent of the illness is such in New York City, for example, that you could spend a large share of this money, you think that could be treated partially there and partially somewhere else?

Secretary ICKES. That would be done in any event. Take our own experience. We could have spent every cent of money in slum clearance in New York City, or Chicago, or Philadelphia, and we would not have done the job, but that thing works out. As a matter of fact, you are going to try to improve your conditions in all parts of the country, but I do not believe in any 10-percent limitation.

Mr. WHITE. No. 6 is the question of contributions, and I think you have expressed your opinion on that.

Secretary ICKES. Yes.

Mr. CRAWFORD. I have one question that I should like to ask the Secretary.

When you speak of $5 per room per month, do you include in that, in your conception, heat, light, and water, or just mere shelter?

Secretary ICKES. No, not services, but just the rent for the room. They pay for services anyhow, Congressman. We do provide services in addition, on a community basis, much cheaper than the individual could buy them, so that we make a saving in his total outlay for room and services.

Mr. WOLCOTT. Have you conferred with the President as to whether this bill should provide for capital grants?

Secretary ICKES. I have not conferred with the President on the forms of subsidy.

Mr. WOLCOTT. There seems to be some uncertainty as to what the President wants in this bill.

Secretary ICKES. I am not able to enlighten you.

Mr. MCKEOUGH. May I ask the Secretary a question, in order that the record might be straight?

In conection with the discussion that you have so ably taken part in as to the advisability of local contributions, you indicated that your attitude is that you would like to bring about local contributions.

Secretary ICKES. Oh, yes.

Mr. MCKEOUGH. Is it your attitude that in the event of inability of the local community to make a contribution, that that locality, needing slum clearance, should not be penalized?

Secretary ICKES. No; I think that it is the duty of the United States Government to raise sound citizens and as happy citizens as possible, and if a community cannot do it, in less or greater proportion, then we have to fill in the difference.

Mr. WHITE. Do you think that that same process of reasoning would apply to a waterworks project, or a sewerage system for a community, a very desirable thing. If the locality could not build it, did not have the money to do it, do you think that the Federal Government ought to undertake the job, without contribution?

Secretary ICKES. No; I do not.

Mr. TRANSUE. Mr. Chairman, I would like to ask the Secretary a question.

In the slums that exist in the larger cities, can you tell me what proportion would be able to avail themselves of this bill; that is, what proportion of them would have the incomes that would allow them to take advantage of it?

Secretary ICKES. That would depend upon the per-room cost that would be possible under this bill. As to that, I am not precisely informed.

Mr. TRANSUE. What I am getting at is, what proportion of those in the slums, in New York City, we will say, for instance, have incomes over $750?

Secretary ICKES. I am told that 40.5 percent of the families receive less than $1,000 per annum as total family income.

Mr. WOLCOTT. Assume that we should enter into a contract by which we would loan, over a period of 60 years, a given amount for the construction of a slum-clearance project, and we provide in House bill 5033 that the interest on these loans shall be 1 percent in

excess of the interest paid on Government obligations, of the most recent issue of Government obligations of 10 years. Now, at the present time I think that would be 3½ percent. As I understand the Senate amendment, that has been reduced to one-half of 1 percent, so that that would be now 3 percent, if that is adopted in the House. This measure, as I understand it, obligates the Federal Government to furnish this money over a 60-year period.

Now, assume, as is supposed by some economists, that the credit of the Government 10 years or 5 years hence, or at any time in the future, is such that we have to pay 4 percent or even 5 percent for money that we furnish to these projects, we have necessarily got to take the difference into consideration in estimating the cost of a project to the Government, have we not?

Have you any suggestions as to how that might be avoided?

Secretary ICKES. I do not think that we can anticipate everything. That is the reason we have Congress meeting as frequently as it does. Changed conditions require new legislation and amended legislation.

Mr. WOLCOTT. The point is this, that if we enter into a contract with these authorities, and, as I understand the Constitution of the United States, there is no prohibition in it against Congress passing an act impairing a contract, but there is a prohibition against the State legislature doing it, but, nevertheless, it would not be good faith on our part to say, after having entered into a contract, "The interest that you will have to pay will be 7 or 8 percent." I wonder if it would not be better legislation to require the authority, or whatever arrangement is set up to administer this, to provide in the contract for a reconsideration of the interest rate, we will say, every 4 or 5 years?

Secretary ICKES. I think that that would be advisable. It certainly could not do any harm, if provision were made so as to assure that the marketability of the bonds would not be affected.

Mr. WOLCOTT. We would at least have control of the situation.

Secretary ICKES. Yes.

Mr. WOLCOTT. We could do it anyway, to be sure.

Secretary ICKES. Yes; and they have notice of what you have the right to do and can do.

Mr. HANCOCK. I cannot follow your judgment on the sewerage proposition. Would you mind elaborating the reason you gave for your negative reply to Mr. White just now with respect to whether sewerage facilities for small communities should not be handled by the Federal Government in the same way? Mr. White asked you if you did not think that the Federal Government ought to step in and furnish the means for supplying facilities of that kind for small communities as well as for building houses and clearing slums.

Secretary ICKES. As to those facilities, the cost per citizen is infinitesimally small, and the community that cannot supply its own local services of this kind ought not to be a community. I think it is a reductio ad absurdum.

Mr. WHITE. Do you think that there would be any great difference on a housing project, in the cost?

Secretary ICKES. Your housing projects are not for the benefit of the whole city. It is a service for a particular group in a city that cannot provide themselves with decent houses.

Mr. WHITE. Do you see any objection to everybody carrying it as a cost, on the basis of community interest?

Secretary ICKES. We might come to that point. I, for one, would like to see it, where a community, as a community, charges itself with the cost of clearing its own slums, but we have not reached that yet.

The CHAIRMAN. All right; we will meet again at 2:30.

(Thereupon, at 12:20 p. m., a recess was taken until 2:30 p. m.)

AFTER RECESS

The committee reconvened at 2:30 o'clock p. m., pursuant to the taking of recess, Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Steagall, Reilly, Hancock, Williams, Meeks, Ford, Brown, McKeough, Evans, Transue, McGranary, Wolcott, Gifford, Luce, and Crawford.

The CHAIRMAN. All right, Mr. Bodfish. You are vice president of the United States Building and Loan League?

Mr. BODFISH. Yes, sir.

STATEMENT OF MORTON H. BODFISH, EXECUTIVE VICE PRESIDENT, UNITED STATES BUILDING AND LOAN LEAGUE, CHICAGO, ILL.

The CHAIRMAN. We all know you. You do not need an introduction, Mr. Bodfish. You may proceed, if you will, and I hope you will not have the course of your statement broken by interrogation until such time as you desire to submit to questioning.

Mr. BODFISH. Thank you, Mr. Chairman. I would like to make some preliminary observations, present some amendments, and then follow with the committee questions——

The CHAIRMAN. We would like to hear your preliminary observations, or anything else that you have to say, Mr. Bodfish. You are not going to talk about the desirability of better housing conditions, though, are you?

Mr. BODFISH. It seems to me that has been mentioned before, and if there is anything that everyone is agreed on, that is it.

The CHAIRMAN. Yes; everyone is agreed on that.

Mr. BODFISH. Mr. Chairman, I might say that it is a pleasure to be back before this committee on behalf of the group that I represent. We have always appreciated the very thoughtful interest you have given to the tremendously important thrift and home-financing problems in which we are interested. I want to say at the outset that our group has given rather careful study to the subject of public housing. We have had a very capable committee on the matter, which is headed by one of our men from Mr. Luce's State. I personally have visited many housing projects in this country, England, and continental Europe, so I am personally familiar with a number of projects and have made some study of public-housing problems.

In the main we are very sympathetic with the Steagall bill, and we have some suggestions to offer which we think will improve the bill and keep it more consistently along the lines of really helping to clear the slums and improving housing conditions for the under-

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privileged in this country. We believe in those two particular things. We do not believe, however, in the general proposition that it is the duty of the Government to become a landlord to any great number of its citizens.

I might say, in this connection, that the Senate bill which is now being debated and amended at length in the upper House, contains a great majority of the suggestions which our group wants to make with regard to your bill, Mr. Chairman. We think, in the discussions of public housing, we have overlooked one very basic question; namely, it is said that our country does not have a land policy or a housing policy. I do not believe that is true. For 150 years we have had all sorts of activities and endeavors in this country to get ownership of the land both in the form of farm homes and city homes, into the hands of our individual citizens, and this country, more than any other country in the world, by many times, has made possible the ownership of farms and homes by millions of citizens. This is a housing policy such as we all desire.

Now, it seems to me, in considering public housing, we must consider it as a slum-clearance relief and social matter, and as a supplement or complement, if you please, to the very proper activities of this country, whereby a citizen by forbearance, by thrift, by hard work, and by progress, if you please, acquires and pays for his own home. This question of public housing, as it has been brought up in the discussions before the committee is not just a national one. I am convinced that it is proper for the Federal Government to take some leadership in the matter, and it is very proper for them to give some financial assistance in housing, but if we do not get local responsibility and local interest in such a plan, and in the prohibition of the renting of unsanitary quarters, and in eliminating overcrowding, and in demolition of unsafe structures, and the like, I do not think we can make any great progress in this so-called slum-clearance matter by merely building a few apartments, houses, and the like. The suggestions that I am going to make specifically include an attempt to relate, and integrate, if you please, the program proposed in this bill with some responsibility, some activity on the part of the local authorities.

I am frank to say that I do not believe that the public housing that has been done so far is very convincing as to what should be done in this country, and when I say that I do not speak in criticism of the Resettlement Administration or Mr. Ickes' Department, and the like. I think we must be fair and realize that those projects were undertaken under the impulse of an emergency with the principal objective of giving employment to the unemployed. Frankly when we had a crisis such as the late well-advertised depression, I know of no better place to spend public money than in creating better housing. However, here and now we are considering a long-term, permanent policy, and we should develop the kind of a policy that will serve the submerged 10 percent, the submerged 20 percent, or whatever group that we decide can be assisted. In that connection, it seems to me that we should decide, at the very outset, that we should start at the absolute bottom in assisting any portion of the citizens of this Nation. Personally, I have no sympathy with the conclusion expressed by some zealous public housers that we cannot do anything for the lowest 20 percent, and that we must take only

the strata above them. It seems to me that we can do the greatest public service if we decide we are going to bend our efforts first to the lowest-income groups.

There is a lot of discussion and comment on British and European precedents . There are many things that can be said about the British housing program which are very good, but there are many things about it that are not convincing as regards this country, and also the same is true about continental public housing.

There is certainly more occasion for public housing of the underprivileged in some of the European countries than there is here, where they have meager credit facilities, compared with what we have here, and where land ownership can only be the result of a lifetime of saving, and sometimes of two generations of saving rather than one. So, while these amendments I am going to submit refer somewhat or grow out of European experience, I do not think we want to adopt in this country, as a permanent or ideal program, the idea that Government, Federal, or State, or local, permanently become a landlord and janitor for even any portion of our citizens. We can adopt public housing as an experiment, as a temporary proposition, but our real objective certainly should be to raise incomes, or wages, both on our farms and in our cities, to the point where the average citizen who is willing to work and practice reasonable thrift and exercise good judgment can acquire his home or rent from private enterprise proper quarters. I do not believe that every citizen should attempt to own his own home. There is a mobility and other considerations necessary in connection with a minority of our population that prevents it. I think, also, that in our discussion of this matter we ought not to assume that in order to assist the underprivileged in this country that every one of them must have a brand new house. I think that is one of the errors that we are apt to drop into as we discuss the public-housing question. Much of the housing is perfectly safe, sanitary, decent, and the like in this country can be furnished from existing structures where the individual has sufficient income to rent them, and where they are properly maintained and renovized, and the like. I have often been impressed, as I have traveled, with the admiration that the European workman has for the fact that every American workman has a car, where only the man with a high income has an automobile on the other side of the water.

The reason that every American workman has a car is that every one of them does not attempt to go out and buy a new Cadillac. Much of the automotive transportation that the people of modest means in this country utilize is represented by purchases for anywhere from $25 (and that is what my brother pays for the transportation he uses at college), up to $200 or $300. They do not buy new Cadillacs. So, there is a great supply of houses in existence that must be considered as we deal with this whole problem of housing the lower-income groups.

I would like, Mr. Chairman, either at the end of my statement or now, to submit for your record, a resolution of our national organization which sets forth their views somewhat, and also to make available to the committee or the record, a rather brief report of our public-housing committee, which is composed of a group of 23 men, each located in a city where there has been constructed a Federal Housing project.

The CHAIRMAN. They will be incorporated in your statement or at the end of your statement.

Mr. BODFISH. I would appreciate it.

Now, Mr. Chairman, I can bring out the specific suggestions relating to H. R. 5033 best if I refer you to a memorandum which I have placed before you through the courtesy of Mr. Weed, and I have no objection to being questioned as we discuss the particular specific proposals, because they will bring out the points and policies which we recommend.

AUGUST 5, 1937.

To the Banking and Currency Committee of the House of Representatives, Hon. Henry B. Steagall, Chairman.

[Re: H. R. 5033]

[From United States Building and Loan League, Morton Bodfish, Executive Vice President, 333 North Michigan Avenue, Chicago, Ill.]

The following amendments to H. R. 5033, Mr. Steagall, were developed by the Committee on Public Housing of the United States Building and Loan League and were approved by our organization and membership. Our cooperative thrift and home-financing institutions are not opposed to measures designed to clear slums and blighted areas and enacted to assist in the housing of underprivileged families. These amendments are designed to restrict public-housing activities to their proper sphere in assisting the lowest income groups and the underprivileged, and add to the policies and vehicles established in this legislation for the accomplishment of its announced objectives.

The proposed amendments are preceded by an explanation of their purposes.

SECTION 2. DEFINITIONS

Subsection (1): Experience to date with Federal housing projects suggests that as a part of the definition of "low-rent housing" there should be a declaration of legislative policy to the effect that the housing constructed with public assistance be modest in its appointments and of as low a cost as possible. Certainly this housing should cost less than the average typical dwelling units constructed by private enterprise.

It is therefore proposed that after the first sentence of section 2 (1), top of page 4, the following be added: "Such dwelling shall not be of elaborate or expensive design or materials, but must be provided at a cost per family not exceeding the average cost of housekeeping dwellings in the county, city, or area where such housing is built."

It is proposed to eliminate the last sentence of (1), page 4, as this proposal is included in our next amendment to subsection (2).

Subsection (2): One of the problems which has been difficult in British housing experience and which confronts the administrators of housing projects of the Federal Government is how to confine the accommodations to families which merit public assistance. In H. R. 5033 (sec. 2 (1)) it is proposed to do this by confining eligible families to those whose net income does not exceed five and six times the rental. Under this language, taking present Federal projects, families with income in excess of $1,800 a year could be accommodated. It is felt on the basis of examination of the distribution of outgo of families of low income that this ratio should be reduced to four and five times the family's income. Studies of the Federal Housing Administration show that tenants earning $2,000 will customarily expend $400 for rent, which means that their annual income is five times their rent, and families with income of $1,000 pay on an average of $300, which gives a ratio of 3⅓ times, while families with $4,000 income pay $600, which gives a ratio of 6.6 times. The 4 and 5 times ratios would be in the interest of families of lowest income. They would assist in barring families of higher income who could be served by private enterprise, but whose influx into public housing projects prevents the assistance from reaching the families for whom it is intended. Income limitations, to be effective, must be related to the situation in the particular community. In this connection it should be borne in mind that an income of from $1,200 to $1,800 in smaller cities permits the purchase or

renting of accommodations which can and should be supplied exclusively by private enterprise. This multiple limitation is, at best, an awkward method of restriction, because the higher the local housing authority establishes the rents, the higher the income groups which are permitted to occupy the project.

It is proposed that subsection (2) of section 2, commencing line 9 on page 4, be entirely rewritten as follows:

"(2) The term "low-income family" means a family all the members of which taken together, living under the same roof, has an income within the 20 percent of the population which have the lowest incomes in a county or similar subdivision as indicated from facts or reliable estimates of incomes in such areas: *Provided*, That no family shall be accepted or continued as a tenant in any low-rent-housing project whose aggregate income exceeds four times the rental of the quarters to be furnished such family, except that in the case of families with three or more minor dependents, such ratio shall not exceed 5 to 1.

The term "rental" as used in this section includes the average cost (as determined by the Authority) of heat, light, water, and cooking, where such services are not supplied by the lessor and included in the rent."

Subsection (7): The elimination of this subsection, defining "demonstration projects", is recommended, but will be discussed in connection with section 11 of the bill.

Amendment: On page 5, strike out all of lines 13, 14, and 15.

Subsection (11): This definition of "consumers housing society", page 6, lines 3 through 11, should be eliminated and the balance of the bill made consistent, as the loans and other assistance provided in the bill should be made available only to cities, States, counties, or other governmental entities engaged in public housing. A sound, decentralized policy of dealing only in slum clearance and with public authorities further recommends this elimination.

Amendment: On page 6, strike out all of lines 3 through 11, inclusive.

Subsection (12): The same objection applies to "limited-profit housing agency" provisions as to "consumers housing society" in the previous section, and we recommend its elimination also and all subsequent references to it in the bill.

Amendment: On page 6, strike out all of lines 12 through 20, inclusive.

SECTION 3. UNITED STATES HOUSING AUTHORITY

Subsection (b): This subsection provides for an independent board of management of three. The provisions seem appropriate, except that it might be desirable to follow the precedents established in the Federal Reserve Board legislation and make certain that an appropriate variety of experience and training be represented on the board.

It is therefore proposed that on page 7, line 19, before the last sentence of the paragraph, the following additional language be inserted: "In selecting members of the board the President shall have due regard to a fair representation of the public housing, mortgage credit, labor, and construction interests, and geographical divisions of the country."

SECTION 9. ASSISTANCE TO LOCAL LOW-RENT HOUSING AND SLUM-CLEARANCE PROJECTS

Additional subsection: It is most important that the authority have before it complete information regarding housing conditions. Such information is also necessary to enlist the support of local public opinion in accomplishing many of the things important in a general housing program in which public housing is designed to supplement private enterprise. It seems highly desirable, therefore, that when the Federal Government provides loans, grants, or credit assistance, the county, city, or community should do its part as regards planning, zoning, demolition, and the prevention of renting of insanitary or overcrowded dwellings. In the judgment of competent persons this requirement is indispensable to insure genuine progress in the entire program of housing. It is therefore felt that there should be a controlling declaration of legislative policy covering this requirement and also designed to insure appropriate nonpolitical control and operation of local projects.

It is therefore proposed that the following new and additional subsection be added to section 9 of the bill, page 15:

"(f) Any county, city, or public housing agency, prior to receiving loans, grants, annual contributions, or credit assistance from the authority and at

such dates as are fixed by said authority, shall cause an inspection to be made to ascertain the complete facts regarding slums, blighted areas and unsafe or overcrowded housing. Such report to the authority shall be available for public inspection and no grants, loans or credit assistance shall be made to any county, city, or public housing agency in the absence of such facts. The authority shall not authorize loans, grants, or credit assistance to any county, city, or public housing agency unless there exist in the areas under the jurisdiction of the county, city, or public housing agency reasonable city planning and zoning laws, also prohibitions against the renting of insanitary or overcrowded dwellings and provisions for the demolition of unsafe structures, all adequately administered. Further, the authority shall not authorize loans, grants or credit assistance unless there shall be provided orderly and systematic arrangements for the future control and operation of any housing constructed by a representative and nonpartisan body organized in such a manner as to accomplish the fullest measure of local public trusteeship."

Additional subsection (section 9): It would seem a wise policy that Federal assistance be also confined to those localities which are clearly interested in public housing and are willing to match the Federal grants with some tangible assistance in the form of cash, land, community services, tax remissions, and the like. With such cooperation the expenditures of the Federal Government can be greatly decreased and real local support and interest be assured in any projects undertaken.

Therefore it is proposed on page 15, after the new and additional subsection (f) above presented, to add a new and additional subsection (g), as follows:

"(g) No capital grant or annual contribution pursuant to this section shall be made for any low-rent housing project unless the public housing agency receiving such capital grant or annual contribution shall also receive from the State, political subdivision thereof, or otherwise, a contribution for such project (in the form of cash, land, or the value, capitalized at the going Federal rate of interest, of community facilities or services and tax remissions) in an amount not less than 25 percent of its development or acquisition cost."

Additional subsection (sec. 9): A significant principle growing out of the British experience with public housing has been the use of rent relief and differential renting in connection with local administration of relief and public housing. Difficulties of administration have not been great because the receipt of public assistance in form of relief payments or housing subsidies presumes that the family is not self-sufficient to maintain a proper living standard and, therefore, an examination into "the composition of families, their requirements and their income" is a necessary part of any scheme of public assistance. It might be well for the legislation to set forth the public policy of handling relief and housing subsidies by "fixing the rent collected from each tenant family in relation to need and ability to pay, rather than based on costs of production or size or desirability of the dwelling unit." Where this is used in Great Britain, a rebate arrangement is used, made possible by the establishment of a general rent scale on the project, with the funds or subsidies or annual contributions by the exchequer and the local authorities pooled, so that it is possible to make rebates or establish differential rents. This enables local authorities with certainty to make housing available to persons displaced in slums and the like at rents which they can afford. Of course, if not only differential renting were achieved in projects, but if rent relief were adequately developed in collaboration with local housing authorities, it would be possible to avoid permanent landlordism in connection with housing on the part of either Federal, State, or local governments. Such rent relief could only be effective in raising general housing conditions if local authorities, under the leadership of the United States Housing Authority, made real progress in connection with prohibitions against overcrowding, renting of insanitary quarters, demolition of unsafe structures, and city planning and zoning.

In providing proper housing for underprivileged families, two courses are open: (1) the general policy in this bill of building public housing and renting at subsidized rentals, and (2) the policy of giving rent relief directly to families and permit them to rent quarters, both public and private, adequate for their use.

The following amendment to section 9 is suggested to establish the policy of differential renting and to suggest the coordination of rent relief with housing efforts:

"(h) Annual contributions may be utilized at the discretion of the public housing authorities and may be apportioned to provide differential rents or rebates based on the needs and ability to pay of tenant families, to insure that a sufficient proportion of new houses are available at rents which displaced families can afford. Rent relief may be administered by the Authority and public housing authorities in collaboration with Federal, State, and local relief authorities in areas where an approved program for safe and sanitary housing for the underprivileged is established."

Section 11. Demonstration Projects

There seems to be general agreement that more demonstration projects, built, owned, and operated by the Federal Government, should not be initiated. We have before us the dollars-and-cents experience of the Housing Division of the P. W. A. and it would seem that, now that the emergency employment problem in the building trades is largely behind us, it might be wise to clearly embark on a policy of decentralization and local collaboration by eliminating the section providing for further demonstration projects. It should be noted that Secretary Ickes, who has had the responsibility for the Housing Division of the P. W. A., in a written statement presented to the Senate Committee on Education and Labor at the hearings on the Wagner bill April 14, 1937, recommended that no further demonstration projects be undertaken by the Federal Government.

Amendment: Strike out on page 15, lines 21 through 25; on page 16, lines 1 through 6 and 21 through 25; on page 17, lines 1 through 9.

In removing this section, appropriate provisions should be written to authorize the authority to sell or rent such existing public housing as may be transferred to the authority.

Section 14. Standards

Permanent Government landlordism, Federal or local should be avoided. In order that the objective of the public housing program should point ultimately toward private operation through limited dividend corporations or to cooperative ownership by its occupants, an additional subsection to section 12 is recommended placing this objective among the considerations which guide the authority, as follows:

"(8) That there is a possibility that at some future time the project may be owned and operated privately by a local limited dividend corporation or owned and operated cooperatively by the occupants."

Section 20

The present section 20 provides for financing housing projects by the direct use of Federal Government credit. As an alternative method, and a preferred alternative if found workable, the following additional subsection is proposed. This new subsection, instead of drawing on Government credit and increasing the direct obligations of the Government, provides a means whereby private capital can participate in the financing of projects under the authority. There is some British experience with this arrangement growing out of a section included in their housing (financial provisions) act of 1933. It would cause the lending institution and the United States housing authority and the county, city, or public housing agency to jointly underwrite or assume losses until the indebtedness is reduced substantially and until time has proven that the project can operate on an economic and successful basis. In addition to British policy, Denmark, Germany, and several other European countries have guaranteed, in whole or in part, funds advanced from private sources to minimize demands on the public credit. We have had some experience in the guaranty of obligations in connection with titles I and II of the National Housing Act. Probably a joint partial guaranty of private funds in connection with public housing projects is more justified in public policy on account of its social implications than in connection with ordinary modernization or mortgage debts.

There is ample private capital seeking safe investment, and this provision would establish a method for its employment in public housing and permit a substantial reduction of the Government obligations authorized in previous subsections. It would restrain the undertaking of hasty or ill-advised projects, an end certainly desirable in the interests of all concerned, including those primarily responsible for public housing efforts.

It is therefore proposed to add to the present section 20 a new and additional subsection (f), as follows:

"(f) The authority is authorized to guarantee principal and interest on mortgage loans which finance low-rent housing for families of low income. This guaranty shall be conditioned upon lending institutions extending credits at rates and for terms of years approved by the Administrator. Such guaranties may be granted on loans not exceeding 90 per cent of the valuation, in lieu of the limited 50 percent advances which might be made apart from this special guaranty. The liability of the authority is limited to one-third of any excess advance over 50 percent. The valuation on which the percentage is based must be satisfactory to all interests concerned, and the county, city, or public housing agency (not the mortgagor) shall also assume one-third of the risk. If the authority has agreed to guarantee repayment to a financial institution of the additional sum in excess of 50 percent valuation and if the mortgagor shall at any time make default in payment in accordance with the terms of the mortgage, and the financial institution, after duly exercising all or any of the powers vested in it as mortgagee for recovering the principal and interest secured thereby, shall have failed to recover the full amount of such principal and interest, then the authority shall, within one month after demand duly made, pay to the financial institution a sum equal to two-thirds of the difference between the actual deficiency which has arisen and the deficiency that would have arisen if the principal sum secured by the mortgage had been 50 percent of the original valuation. The agreement between the authority and the county, city, or public housing agency (not the mortgagor) shall provide for the reimbursement of the authority to the extent of one-half of its loss under the guaranty. The Administrator may purchase the property or assume the obligations as provided in section 4 (g). Any sum payable by way of reimbursement on the guaranty shall be paid out of the funds of the authority, or the guaranty when originally approved by the Secretary of the Treasury shall be paid out of public funds with money hereby authorized to be appropriated for such purpose out of any money in the Treasury not otherwise appropriated. Reasonable efforts shall be made to finance each housing project under this subsection before the authority issues obligations which are fully and unconditionally guaranteed by the United States as to principal and interest, as provided in previous subsections.

NEW SECTION

A legally sanctioned advisory group is often of great assistance in the development of a new governmental policy and program. Where broad discretion and large affairs are delegated to bureaus or boards, it would seem wise to establish some orderly way in which they would receive the advice and counsel of a representative group of citizens. Such recommendations of an outstanding group of citizens should be made available both to the Congress and the public.

The British Government has a long record of effectively utilizing commissions created by the Parliament, appointed by the respective ministers concerned, and drawing to their membership a variety of eminent personalities from private walks of life. Several commissions have been used in connection with the development of the British housing policy, and in 1935 Parliament arranged for a permanent Central Housing Advisory Committee (Housing Act, 1935, pt. II). This advisory group was selected by the Minister of Health and is representative of the leading business, church, and philanthropic interests concerned with housing. It includes such figures as Sir Raymond Unwin (probably the most eminent name in city planning and housing), Sir Harold Bellman, head of the Abbey Road Building Society (over $200,000,000 capital), etc.

A statutory advisory body, composed of eminent citizens serving without any compensation whatsoever and representative of the various interests concerned, could do a substantial public service in coordinating the activities and program of the United States housing authority and making it properly supplement or complement the work of private enterprise. Such an advisory body was suggested by Secretary Ickes, in his statement to the Senate Committee on Education and Labor, at the same time of the hearings on S. 1685, the Wagner bill. After stating that he believed that the management and control of the affairs of the authority should be vested in one executive rather than a board of three, he said: "An advisory board can be created to provide opportunities for the expression of different points of view if it is felt that this would be helpful in shaping the policies of the authority.

There is precedent for statutory advisory bodies, as the original Federal Reserve Bank Act included a Federal Reserve Advisory Council, which has functioned right down to the present time. The Federal Home Loan Bank Board's activities are surveyed and assisted by the Federal Savings and Loan Advisory Council, created by Congress in 1935.

In conclusion, it might be suggested that the establishment of such a council or committee by statute would give an importance to it not felt by simply an appointive committee, and through such a body, the interest and support of substantial groups would be encouraged and enlisted for an appropriation public-housing program, pointed clearly to the underprivileged.

The following new section is therefore proposed:

Proposed new section: This section might properly be numbered section 22, thus preceding the section of the bill dealing with "Penalties" and similar sections, which would necessitate renumbering the present sections 22 through 29.

SEC. 22. There is hereby created a national housing advisory committee which shall consist of 12 members to be appointed by the authority, having due regard to a representation of public housing, mortgage, credit, labor, and construction interests upon such advisory council. All members of the committee shall serve without compensation, but shall be entitled to reimbursement from the authority for traveling expenses incurred in attendance at meetings of such committee. The committee shall meet at Washington at least twice a year and oftener if requested by the authority. The committee may select its own chairman, vice chairman, and secretary, and adopt methods of procedure and shall have power—

"1. To confer with the authority and other public officials on any matter which may be referred by the authority to the committee, dealing with the housing question, public or private, and any matters arising in connection with the execution of laws relating to housing.

"2. To request information and to make recommendations with respect to matters within the jurisdiction of the authority and also to consider the operation of enactments relating to housing and make to the authority such recommendations with respect to thees matters as the committee thinks desirable. The recommendations here directed shall be printed as a part of the annual reports to Congress of the authority."

The first amendment deals with section 2, definitions, one of the subsections of which defines low-rent housing. I was very much interested in part of the discussion this morning concerning low-rent housing, low rents, and low-cost housing, and I think we might keep in mind that there is no such thing in the United States as low-cost housing. Housing is just costly to build. One thing we can do is recognize that it is costly to build and provide, and possibly by subsidy arrangements and the like as proposed in this bill we can arrange to make it available to the under-privileged people. Then, in that event, it is low-rent housing, but it is not low-cost housing.

Mr. WOLCOTT. And it is made more expensive by the fact that we anticipate that they will be occupied not less than 60 years also.

Mr. BODFISH. The construction of homes, and while this is a subject that is not exactly germane, is not an efficient modern industry in this country. We are still in sort of a handicraft stage when it comes to constructing homes. We put them together piece by piece with many different kinds of labor, and many different kinds of material, and we assemble them on the site and the like, but that is really beside the point. It would seem proper that if we are going to house the lowest-income groups that we should, at least, restrain ourselves in building houses, and to construction of housing that is modest in its appointments, simple in its design, and as inexpensive as is consistent with reasonable comfort and durability.

I think it can be fairly said that most of the housing projects which have been completed by the P. W. A. are more lavish in their appointments, and are better constructed than the homes of the average citizens in our communities.

I do not imply by this that we ought to go in for shoddy building in the construction of public houses. I do suggest, however, that one of the greatest lessons of the whole British public-housing activities is that they built their public housing so simple in design, so modest in appointments, that while it represented decent, sanitary quarters for the slum dwellers which they moved into it, and a great improvement in living conditions for the underprivileged, still they did not have electric refrigerators in them, electric stoves, and all of that sort of thing as a result, as persons in the artisan and working classes or the like occupied those quarters from time to time, they moved on up to better quarters at the earliest opportunity.

Now, the question of the cost, or a ceiling or limit on the cost of public housing developments is being discussed very extensively over in the Senate, and it was likewise the subject of discussion here before this committee this morning. I am frank to say that a $1,000 limit is probably not a workable proposition. I do think, however, that the cost involved in constructing public housing to be rented with the assistance of subsidies should be held down to at least the average that exists for the construction of ordinary dwelling units in the area in which that public housing project is constructed. The average cost for the entire country is $4,400 for one-family units, and $4,073 for all classes of dwellings. In New York area, for example, the average cost per family probably would amount to about $5,000 for a family dwelling unit. It would mean probably $3,000 or $3,500 in a city such as Atlanta. The amendment, which is underscored, will be found just below the middle of the first page:

Such dwelling shall not be of elaborate or expensive design or materials, but must be provided at a cost per family not exceeding the average cost of housekeeping dwellings in the county, city, or area where such housing is built.

This is our level best effort at finding a somewhat variable formula with which to put a ceiling on the costs involved and the type of structure that may be developed with the assistance of public loans, grants, and subsidies.

Mr. HANCOCK. In that connection, Mr. Bodfish, would you take into consideration the cost of all dwellings in the area where the public housing was to be built, both the low and the high, and the average throughout?

Mr. BODFISH. I think that would be a workable formula. I checked it at the time we discussed this question through the Bureau of Labor Statistics, and if you take them all in you will find the millionaire's home, the $25,000 home of the employer himself, and all the other family units, and average them you have a difference ranging from about $5,500 per unit at the top, down to about $2,000. The Nationwide statistics of the Bureau of Labor Statistics are here for the information of the committee.

The average cost of the one-family dwelling for which permits were issued in these 257 cities during 1936 was $4,432. This is greater than for any year since 1931. (See table 23.)

TABLE 23.—*Average cost per family of new dwellings in 257 identical cities, 1921 to 1926*

[This table does not show change in cost of erecting identical buildings, but does show change in cost of such buildings as were erected. Does not include land costs]

Year	Average cost per family of new dwellings				Index numbers of cost per family of new dwellings (1921=100)			
	All classes of dwellings	1-family dwellings	2-family dwellings [1]	Multifamily dwellings [2]	All classes of dwellings	1-family dwellings	2-family dwellings [1]	Multifamily dwellings [2]
1921	$3,947	$3,972	$3,762	$4,019	100.0	100.0	100.0	100.0
1922	4,005	4,134	3,801	3,880	101.5	104.1	101.0	96.5
1923	4,127	4,203	4,159	4,001	104.6	105.8	110.6	99.6
1924	4,352	4,317	4,336	4,418	110.3	108.7	115.3	109.9
1925	4,464	4,618	4,421	4,289	113.1	116.3	117.5	106.7
1926	4,422	4,725	4,480	4,095	112.0	119.0	119.1	101.9
1927	4,449	4,830	4,368	4,170	112.7	121.6	116.1	103.8
1928	4,407	4,937	4,064	4,129	111.7	124.3	108.0	102.7
1929	4,566	4,915	4,020	4,402	115.7	123.7	106.9	109.5
1930	4,385	4,993	3,924	3,857	111.1	125.7	104.3	96.0
1931	4,225	4,834	3,607	3,644	107.0	121.7	95.9	90.7
1932	3,705	3,943	3,250	3,011	93.9	99.3	86.4	74.9
1933	3,494	3,844	3,110	3,040	88.5	96.8	82.7	75.6
1934	3,381	3,801	3,316	2,612	85.7	95.7	88.1	65.0
1935	3,759	4,228	2,955	3,201	95.2	106.4	78.5	79.6
1936	4,073	4,432	3,038	3,754	103.2	111.6	80.8	93.4

[1] Includes 1- and 2-family dwellings with stores.
[2] Includes multifamily dwellings with stores.

In 8 of the 16 years for which information is available, the average cost of one-family dwellings was lower than during 1936. In the 7 years, embracing the period 1925 to 1931, inclusive, the average cost was higher than in 1936. The average cost of two-family dwellings was lower in 1936 than for any year except 1935. The average cost of dwelling units provided in multifamily dwellings was higher in 1936 than for any year since 1930, but lower than for any of the previous years.

FAMILIES PROVIDED FOR, 1921 TO 1936

In these 257 cities, dwelling units were provided for more families in 1936 than for any year since 1930. (See table 24.)

During 1936, 115,365 family-dwelling units were provided in these 257 cities. This compares with 55,810 in 1935. At the low point in 1934, only 22,063 dwelling units were provided. During the peak year, 1925, dwelling units were provided for 491,222 families. A larger percentage of the family-dwelling units were provided in apartment houses during the current year than for any year since 1929. Previous to 1936, in only 4 of the 16 years, during which the Bureau has been receiving reports, have a larger percentafie of the total dwelling units been provided in apartment houses. The percentage provided in two-family dwellings fell to a new low during 1936.

Mr. HANCOCK. Have you any reliable information as to the number of dwelling units in the United States and the average cost of those units?

Mr. BODFISH. Urban or rural?

Mr. HANCOCK. Urban dwellings.

Mr. BODFISH. Well, there are about 12 million or 13 million urban dwelling units in this country. I do not know what the average cost is, but the average cost of dwelling units being produced in the country as a whole is about $4,000 at this time.

Mr. CRAWFORD. You mean the cost of the present urban dwellings, or the 13 million dwellings is about $4,000 average?

Mr. BODFISH. No, the production of dwellings at the present time, according to the Bureau of Labor Statistics, the average of the country is about $4,000 at the present time.

Mr. CRAWFORD. That are now being built?

Mr. BODFISH. Yes.

Mr. CRAWFORD. That is exclusive of land?

Mr. BODFISH. Yes; exclusive of the land.

The second amendment, still dealing with section 2, which amendment appears on page 2, deals with this very perplexing problem of what is a "low-income family", and whether we effectively confine the benefits of this type of legislation to the lowest-income families. The formula which appears in the bill merely states that they shall be from a group which private enterprise is unable to serve, and it leaves the matter entirely to the discretion of the authority, but it does include a ratio of family income to rental, which is a sort of a left-handed way of going into the thing, and of restricting occupancy of public housing. It means getting at the end of the plank and prying up, because when you say that when a family ought to be able to occupy this whose income is five times the rental on the house or apartment, obviously the higher the local authority places the rental, the higher the income of the family which can be accommodated in that dwelling. Now, if you allow $1,500, $1,800, and $2,000-a-year families into the public-housing projects, those families whose income is $600, $800, or $900 a year will be excluded, and it is also just ordinary human nature that if you or I were a manager of one of these projects we would take in the people with highest incomes within the statutory limits, but within those limits and still be the most reliable tenants and rentpayers.

Under the five- and six-times formula that appears in the present bill it would be possible in the Techwood projects in Atlanta to include families whose income ranged from $1,700 to $1.800, or even $2,000 a year. The average income of the families they have in the project at the present time is about $1,100 a year, so it has been reasonably well administered. I merely cite it to illustrate what an awkward approach to it the five-times or six-times ratio is.

Mr. FORD. You think three times would be better?

Mr. BODFISH. Mr. Ford, I would be inclined to feel that is going a little far. My considered judgment on the matter is that four times would be about right. We have some statistics on the matter of the proportion of the income that a family pays for rent, and I think that there are about 60,000 cases in some of our northern cities included in the surveys, and I have in mind a family with a $1,000-a-year income that was paying about $300 a month rent, and a family of $2,000 income——

Mr. FORD. You mean that they were paying $300 a year?

Mr. BODFISH. Yes; $300 a year; and a family with a $2,000 income was paying $400 a year rent. Five times $400 is $2,000, but five times $300 is $1,500, and if you want to pull it back down and keep pushing away at accommodating these lowest-income people, I think you have to pull that ratio down. I really believe that carrying it down to three is a little too far. Our amendments suggests four, and also includes five times, in case there are more than three dependents in the family. You will note also that our amendment says "accepted or continued", the reason for the "continued" being obvious.

Mr. WOLCOTT. You agree, then, with the amendment that was adopted in the Senate on the second, offered by Senator Wagner, to reduce this to four and five, respectively?

Mr. BODFISH. That is right, I think we agree with practically all of the Senate proposals and amendments in fact.

There is another thing in the amendment we present here that I think entirely desirable. It is the legislative declaration of policy that not only do we deal with the lowest incomes, but we start out with the definite restriction that we are going to treat with the 20-percent lowest incomes in your community and in my community. Maybe that figure or percentage had best be 30 percent, or maybe 33⅓ percent, but I think it would be wise from my observation of the problems of the British in trying to confine the occupancy of their public houses to the people who deserve it most, and the problems which are developing in our own Federal projects, to just lay down a legislative policy and say that in this legislation we are going to start with the lowest tenth or twentieth, or, if you please, the lowest one-third. We have heard a great deal about the lowest one-third being ill-housed. There is the private enterprise aspect or element in that, if the public-housing sphere of activity is defined. Private enterprise has an interest and responsibility in the sale and building of homes to those of higher incomes. Also the construction activities of the local housing authorities will be confined to a definite group, eliminating overlapping, competition, and controversy. If it is found that the percentage fixed is too low, of course, a future Congress could change it.

Mr. WILLIAMS. Is there any limit as to the amount of income, the net minimum?

Mr. BODFISH. The minimum of income?

Mr. WILLIAMS. Yes.

Mr. BODFISH. That is to say, for example, $300 or $400?

Mr. WILLIAMS. Yes.

Mr. BODFISH. My philosophy of the thing, Congressman, is that I believe there should be no bottom at all. I think that either through rent relief, or through special rents in a public-housing project, we should take care of and put in decent but very modest surroundings, people that do not even have any income at all.

Mr. WILLIAMS. I was just about to ask you if your statistics and research showed how many of those there are in the country.

Mr. BODFISH. I do not know that I could present any figures on that, Mr. Williams. Some have estimated it as around 10 percent of the urban families. Probably this is high.

Mr. WILLIAMS. That is, that could not pay any rent at all?

Mr. BODFISH. Yes; that could not pay any rent at all.

Mr. WILLIAMS. What income they had would be necessarily taken up with buying food?

Mr. BODFISH. That is right; in the cities.

(The amendment to subsection (2) of section 2 is as follows:)

(2) The term "low-income family" means a family, all the members of which taken together, living under the same roof, has an income within 20 percent of the population which have the lowest incomes in a county or similar subdivision as indicated from facts or reliable estimates of income in such areas: *Provided*, That no family shall be accepted or continued as a tenant in any low-rent housing project whose income exceeds four times the rental of the quarters to be furnished such family, except that in the case of families with three or more minor dependents, such ratio shall not exceed five to one.

The term "rental" as used in this section includes the average cost (as determined by the authority) of heat, light, water, and cooking, where such services are not supplied by the lessor and included in the rent.

Mr. TRANSUE. As the bill is written now, do you understand these people get any benefits under this that have no income?

Mr. BODFISH. I am doubtful as to whether or not the bill is so arranged that people with no income at all could be accommodated. The subject is not dealt with in H. R. 5033. The bill deals not with the lowest-income groups but speaks of the low-income groups, and I have followed the hearings and discussions on the Senate side, and I find a great many of the people interested in the legislation disposed to deal with a group, that, let us say, have $500, $600 a year income up to $800, $900, or $1,000, feeling that anybody below that income represents a relief problem and one that cannot be effectively dealt with in connection with this bill, perhaps——

Mr. TRANSUE. Quite a proportion of those who live in the slums are those who have incomes of less than $500 or $600; is that right?

Mr. BODFISH. Yes; I would say so. I believe, sincerely, in connection with slum clearance, that if we are going to eliminate areas of bad housing, which we should do, I think we should properly house those people, whether they have any income or not. I think that is where relief and a proper housing policy should join, coordinate, and collaborate, and I have an amendment, suggested later, which deals with that policy. It apply to annual contributions in section 9, and reads as follows:

(h) Annual contributions may be utilized at the discretion of the public housing authorities and may be apportioned to provide differential rents or rebates based on the needs and ability to pay of tenant families, to insure that a sufficient proportion of new houses are available at rents which displaced families can afford. Rent relief may be administered by the Authority and public housing authorities in collaboration with Federal, State, and local relief authorities in areas where an approved program for safe and sanitary housing for the underprivileged is established.

Mr. FORD. As this bill was originally presented, it seems to me they only contemplated a group that were getting wages that would enable them to rent and pay, say, $20 or $24 a month. Now, when you go into that, take that group into consideration, and undertake to do something for them, are you not subsidizing the payers of sweatshop wages, because if his employees can find a place to live and pay a low enough price, he does not feel obligated to raise their wages? They are not organized, and they are not able to force their wages up, and, therefore, is not the Federal Government subsidizing sweatshops when we put it in the upper brackets, above the lowest income group?

Mr. BODFISH. Mr. Ford, I think that interpretation could certainly be placed on the matter. Of course, if we had in this country a proper basement, if you please, on wages and ceiling on hours, to use the vernacular of the press, adequate incomes for all working people, there would be little occasion for public relief activities, public housing, or anything of that kind, and I think all of us agree that the objective we should all strive for is raising farm and city incomes for the lowest paid of the working classes.

Mr. FORD. The reason I am asking you that is because that question came up yesterday when one of the witnesses stated that in his city the employees of a great electrical corporation, who were getting

pretty good wages, were still living in slums. He said the reason that they were living there was because they could not find other quarters in the city. That may be true, in some instances, but, nevertheless, if they had had an adequate income they would not have been living where they were. They would have gone out and paid a normal economic rent. If the Government goes in and provides houses for that type of people it is certainly subsidizing sweatshop wages.

Mr. BODFISH. That is right.

Mr. MCGRANERY. You say that is right, Mr. Bodfish?

Mr. BODFISH. I would rather have it——

Mr. MCGRANERY (interposing). Did you say it is right?

Mr. BODFISH. About subsistence and sweatshop wages?

Mr. MCGRANERY. In the proposition that Mr. Ford propounded to you he said that, in certain areas, because of congestion, these people are forced to live in slums, congestion being the beginning of a slum. Do you think that is proper?

Mr. BODFISH. I do not think it is proper or desirable for them to live there if they live in real sums, in unsanitary and in unsafe buildings.

Mr. MCGRANERY. Do you think they live there because they want to live there?

Mr. BODFISH. No. There are a number of considerations as one explores that question. In my home city of Chicago, one of our agencies interested in housing studied, for example, the rents paid in some of the areas that we consider slum areas, and they found people that were living in the most regrettable, run-down houses, were paying a total monthly rent in excess of the rents at which they could rent housing in other parts of the city, but, they were there, and they were permitted to pay the rent from week to week, and all that sort of thing.

Mr. MCGRANERY. They are compelled by force of circumstances to stay there?

Mr. BODFISH. Yes; and I think there is another consideration that we should look at also. It will come out later in the discussion as we go along. It seems to me we have made very little progress in this country in regard to the attitude on the part of local officials in connection with the continued renting of insanitary quarters, permitting unsafe buildings to continue to be occupied, and permitting overcrowding in those areas.

Mr. MCGRANERY. Is it not a fact, right at that point, Mr. Bodfish, that many of the local communities would like to pass ordinances that would demolish these unsafe and unsanitary houses, but because there are no other houses available in the city they are fearful of passing just such laws?

Mr. BODFISH. I think that is partly true, but I think I would also add something to it that you will probably agree with. I think that is partly true, but there is also another consideration that enters into it. My daily work brings me in contact with thousands of cooperative, thrift, and home-financing institutions, building and loan associations, and the like, and we deal largely with the working class of people in humble walks of life. In the late well-advertised depression, we got about $1,500,000,000 worth of property back. Two or three years ago we were renting that property, literally begging tenants to come in and live there in order to protect it in the

wintertime, hoping to get only enough to pay the taxes and maintenance in some areas. Now, it seems to me that there was a situation in which the local officials could have, but were not pressing for the demolition of unsafe and insanitary buildings, and the health department was not functioning for reasons other than the nonavailability of other quarters in which to live. The reason, in my humble judgment, is because a local official hesitates to press or put the heat on a taxpayer, even if it is a taxpayer who owns a lousy old dump that ought to be torn down. That is the basic and the chief thing. They do not want to offend a taxpayer. It seems to me that if we are going to offer the financial assistance of the Federal Government to the cities throughout the country, that the least you can insist on getting in exchange for these capital grants, and these annual contributions is that they have proper ordinances preventing overcrowding, preventing the renting of insanitary quarters, and providing for the demolition of those insanitary and unsafe quarters, all of them adequately administered. It seems to me that the carrying out of that policy will have as much to do or more to do with the raising of housing standards as anything else.

Mr. McGRANERY. Is it your impression that that would not be the situation if this bill were passed?

Mr. BODFISH. I do not understand your question.

Mr. McGRANERY. You have stated that the local communities should have these ordinances which would restrict buildings. Is there any question in your mind that they would not pass such ordinances if this bill is passed?

Mr. BODFISH. It is my judgment that they will not unless the bill requires it, and if they do, they will not enforce them vigorously, because the minute you do they run right head-on into the taxpayer who pays taxes in that community, and as I said before, even though it is a shame, they have to collect taxes, and the public officials hesitate to do anything.

Mr. McGRANERY. Then you feel if we pass this bill as it is that the Central Housing Authority here would just simply give this money over promiscuously to communities without any cooperaton on their part?

Mr. BODFISH. I would not want to say that they would do that, but I believe if Congress declared it to be the legislative policy of this country that as a condition precedent to all Federal grants, that they were going to expect some activity, cooperation, and some performance of that kind from the recipients thereof, I know you would get action then.

Mr. McGRANERY. The facts are, Mr. Bodfish, that in these communities in which the projects have already been originated the communities have cooperated fully with the Central Authorities here.

Mr. BODFISH. I do not recall as regards the items our amendment refers to.

Mr. McGRANERY. That seems to be a part of the record.

Mr. BODFISH. I do not recall that there has been a great deal of change in our demolition of structures in the city of Chicago and enforcement of our sanitary ordinances since we received two very splendid housing projects. If that is the case let us include it as part of the legislation.

Mr. McKEOUGH. You were referring to Chicago. I take it from what you had to say that there apparently is an unwillingness on the part of the local authorities in the city of Chicago and Cook County, which is the tax-collecting body for the city of Chicago, to collect taxes on what, in your opinion, are slum dwellings, for fear that they would harass the owners of the property and incur their political disfavor.

Mr. BODFISH. Mr. McKeough, I do not want to criticize the officials of the city of Chicago, and I was discussing demolition and insanitary dwelling activities, not tax collecting.

Mr. McKEOUGH. In connection with your studies out there on this phase of it, did your investigation reveal what percentage of the back taxes are accruing on those slum dwellings?

Mr. BODFISH. I do not know.

Mr. McKEOUGH. You are aware of the fact that there is a considerable backlog of uncollected taxes in Chicago?

Mr. BODFISH. Yes, sir; that is true.

Mr. McKEOUGH. And that as it related to the slum districts, it was an inability of the owner to pay taxes rather than an unwillingness on the part of the local officials to press for collection and make an attempt to secure demolition? In other words, so that they would not interfere with the continuing income of the owner of the building. I merely point that out to you because I am somewhat familiar with the inability of the local officials of Chicago and Cook County to collect the taxes.

Mr. BODFISH. That is true.

Mr. McKEOUGH. There are millions of dollars in back taxes uncollected in Cook County.

Mr. BODFISH. That is true.

Mr. McKEOUGH. And some of those taxes must apply to what would be called slum dwellings.

Mr. BODFISH. That is true.

Mr. McKEOUGH. I merely want the record to show it is not because of an unwillingness on the part of the officials of Chicago and Cook County to harass the owner of the slum dwellings to pay his taxes or demolish the building. I assume you will find that the owner of the slum building in many instances, and in a large percentage, as it relates to the slum building back taxes, cannot pay his taxes?

Mr. BODFISH. That is true, but I think you would also probably agree with me that we have not in our city of Chicago today a vigorous demolition ordinance or activity in connection with some of the distinctly slum areas.

Mr. McKEOUGH. Yes. I want to amplify that somewhat by adding this explanation. Chicago suffers, as does most every other large city in the country generally, with a shortage of housing facilities. Now, then, they have so many persons to care for. Obviously they cannot demolish property as aggressively as they might if they were assisted by this sort of legislation, and if they had this short of legislation, then I think it would be a perfectly logical subject to criticize them for if they had failed to cooperate by following a proper demolition program, but I do not think that is proper under the circumstances, and I do not think the

record ought to imply that under the circumstances, that the failure to collect back taxes is because of an unwillingness on the part of the local officials to embarrass the owners, or because of the inability of the housing authority and the local communities to get rid of slums.

I would like, since I have interrupted you, to ask you one or two other questions. You represent the building and loan associations of the Nation?

Mr. BODFISH. That is right.

Mr. MCKEOUGH. Is it not safe to assume that the concern of your group relates to the possibility that under this proposed legislation we are going to help a group of people that might otherwise continue to patronize your institutions in order to secure houses?

Mr. BODFISH. Mr. Chairman, in reply to that question, naturally, we prefer that this legislation deal with a class of persons that would not be served by either private enterprise or cooperative endeavor. From all I have heard of the discussion of this legislation that was the purpose of it.

Mr. MCKEOUGH. I assumed there might be some reason. I am not criticising you for that. I can understand why you would be here trying to protect the group that you represent.

Mr. BODFISH. Surely.

Mr. MCKEOUGH. But, in that connection, I am wondering whether or not you are willing that the record might show at this juncture, based on your very vast experience with this activity, what is the going rate of interest in the group you represent in the way of mortgage interest?

Mr. BODFISH. The average for the country is 6 percent.

Mr. MCKEOUGH. In addition to the going rate on the principal, the interest on the loans, which you say is 6 percent, what do you charge for the commission?

Mr. BODFISH. It varies over the country, depending on the local customs and the charges.

Mr. MCKEOUGH. What is the average?

Mr. BODFISH. Well, I have no figures on that. If I were to estimate the average I would say not over $15 or $20.

Mr. MCKEOUGH. $15 to $20?

Mr. BODFISH. That is right.

Mr. MCKEOUGH. It is about 1 percent of the principal amount involved, is it not?

Mr. BODFISH. In some cases; yes.

Mr. MCKEOUGH. It is in many cases, is it not?

Mr. BODFISH. No; it is not in many cases. In many cases there is no charge at all.

Mr. MCKEOUGH. But, generally speaking, would you say it would run from 1½ to 3 percent of the principal?

Mr. BODFISH. No.

Mr. MCKEOUGH. What percentage would you say of the principal?

Mr. BODFISH. Not more than one-half of 1 percent.

Mr. MCKEOUGH. One-half of 1 percent?

Mr. BODFISH. Yes, sir; the first year only.

Mr. MCKEOUGH. The first year?

Mr. BODFISH. Yes; that is right.

Mr. MCKEOUGH. For what term do you permit that mortgage to run before it is reissued?

Mr. BODFISH. There is no reissue of mortgages. In our institutions all our mortgages are long-term monthly retirement amortized loans.

Mr. MCKEOUGH. What is the life to maturity?

Mr. BODFISH. The typical loans are for 11 years and 7 months. We are lending now for as long as 15 to 20 years, occasionally 20.

Mr. MCKEOUGH. What pays the overhead, and the running of it, 1 percent?

Mr. BODFISH. That is right, from 1 to 2 percent.

Mr. MCKEOUGH. Five and a half percent gross income——

Mr. BODFISH. No; about 6 percent gross income.

Mr. MCKEOUGH. Six and a half?

Mr. BODFISH. Six plus; yes.

Mr. MCGRANERY. In your building and loan association, Mr. Bodfish, you say your maturity would be in 11 years and 7 months?

Mr. BODFISH. Average.

Mr. MCGRANERY. Now, a shareholder in your association would double his money in 11 years and 7 months?

Mr. BODFISH. No.

Mr. MCGRANERY. He would not?

Mr. BODFISH. No.

Mr. MCGRANERY. Then you would not have a maturity, would you?

Mr. BODFISH. Well, your maturity, if you have in mind——

Mr. MCGRANERY (interposing). Well, if I paid $5 a month for five shares of stock in a building and loan association, and paid that for 11 years and 7 months would you pay me $1,000?

Mr. BODFISH. Let us see. I will have to think for a minute. I would have to use my lead pencil on it. I do not think we would pay that much. That is 12 years, 144 payments. Yes; that is right.

Mr. MCGRANERY. So that is approximately doubling your money?

Mr. BODFISH. I do not see why it is doubling your money. A man on that sort of a plan would put in over $700 of his own money from month to month for 12 years, wouldn't he, and the only thing that would increase it would be his earnings from dividends declared semiannually.

Mr. MCGRANERY. I do not think he could put in any more than $728.

Mr. BODFISH. Our typical institutions pay 3½ to 4 percent on their investments in shares to all members.

Mr. MCGRANERY. Maturity means accumulation of that share, which represents $200?

Mr. BODFISH. That is right, if $200 shares are provided; $100 shares are more common.

Mr. GIFFORD. I want to ask you if you are willing to express yourself on this from your practical experience: Are you willing to have this class of persons who live in the slums transferred to new buildings like this, and do you think they would so conduct themselves that the property would be in a safe and proper condition?

Mr. BODFISH. I think the British experience with the transfers of slum dwellers to public-housing projects would indicate that the situations in which a family does not orient itself to its new en-

vironment and conduct itself properly and use the facilities proffered are very rare.

Mr. GIFFORD. In that connection, I had a very bad experience with two renters. After getting the place into very good condition for them they soon got it into a terrible condition, and I was faced with the impossibility of collecting rents, and almost the impossibility of getting them out. Those are practical conditions we face in these matters. They are assuming that they are going to take this class of people and transfer them into these new buildings, and that it will be successful. I am asking you if you think they could do it successfully.

Mr. BODFISH. Yes; it is my judgment that they can.

Mr. GIFFORD. I have read your recommendation for an addition to section 9, page 15, providing that periodic visits be made by agents of the Federal Housing Authority, that no contributions shall be given until they are satisfied that proper conditions exist at the time of the visit, although you may have agreed with the Housing Authority that you would go through with the proposition. Who is going to determine whether or not that is carried on in the condition it ought to be, that the tenants are not observing those regulations, or that some of them are very dirty tenants, or that ordinances have not been properly lived up to? Is it possible that there is always going to be a fear on the part of the local housing authority that this housing authority will not go through with their agreement?

Mr. BODFISH. Mr. Congressman, I believe if we create a local housing authority, and put it in charge of property to rent it at low rentals, it certainly will have to control the occupancy of that property, and make sure that just in the interest of protecting the property that tenants do not continue there who injure it. I do not believe that our amendments suggest visitations.

Mr. GIFFORD. I know, but with the Federal Government there helping, that is, the Public Housing Authority, would not the tenant have a little independence of mind about the way he conducted himself and giving up the premises if ordered to do so?

Mr. BODFISH. Well, I think he would have a little more independence than he would have with a private landlord, although one of the things that I hope to develop a little later on is that I do not believe the Federal Government should own or operate any of these projects. I think it should give financial assistance to local authorities who, I think, are somewhat better insulated from the problem that you mentioned, and better able to control it.

Mr. GIFFORD. Yes; but you provide for inspection at frequent intervals.

Mr. BODFISH. No; I do not believe so.

Mr. GIFFORD. My point in questioning you along this line is because I have tried to be hopeful and helpful to a class of people, and I have found it impossible to help a certain class of people. That is my experience, and we might as well be frank about it.

Mr. BODFISH. Yes.

Mr. GIFFORD. Some of them would prefer to pay $1 less and live in the slums than to pay $1 more and go into one of these new houses.

Mr. BODFISH. Well, Mr. Congressman, in the discussion of public housing the statement is often made that if you gave this family a bath tub they would not use it, but they would keep coal in it, and I suppose there are instances of that kind, but, by and large, the people will make use of it properly rather than make a coal-container out of it.

Mr. GIFFORD. I have been in the real-estate business myself for 40 years. I wish I shared your confidence.

Mr. BODFISH. I have one or two little properties myself that you and I might trade sight unseen.

Mr. GIFFORD. I am discouraged. I will put it that way.

Mr. HANCOCK. Mr. Bodfish, how do the interest rates charged by the average building and loan and cooperative associations compare with the interest rates charged by the Reconstruction Mortgage Corporation, the Home Owners' Loan Corporation, and the Federal Housing Administration?

Mr. BODFISH. Our charges, taking the country as a whole are less than those of the Federal Housing Administration. The Federal Housing Administration charges about six point seven including everything and sometimes over seven in total. The H. O. L. C. in its emergency program charges 5 per cent; the R. F. C. Mortgage Co. has made loans at 5 percent, I think, and some at 4½. I do not feel very certain as to whether the R. F. C. have made any lower or not.

Mr. HANCOCK. How does the overhead and operating expense of the average building and loan association and cooperative institution compare with other financial institutions of similar size?

Mr. BODFISH. We think it is distinctly lower. On about a 2-percent spread we can pay all expenses, examinations by public authorities, and all of the ordinary things that go along with the development and conduct of such a thrift and home-financing business, and also make rather reasonable allocations to reserves to protect our seven million savers or investors against losses.

Mr. HANCOCK. Is it not true that most of the institutions are founded upon a mutual basis?

Mr. BODFISH. Yes, practically without exception. There are a few in three or four States that follow the banking type of structure.

Mr. HANCOCK. And whatever the interest may be is reflected in the early maturity of the stock which goes to all of the stockholders?

Mr. BODFISH. Or in the dividends paid from them. All of the institutions do not emphasize the maturity aspect as much as they used to.

Mr. HANCOCK. Is it not also a fact that in a majority of the institutions or associations that you have only one paid officer?

Mr. BODFISH. Yes; depending on the size of the institution.

Mr. BROWN. Are your rates lower than they were in 1934 or 1935?

Mr. BODFISH. I would say that our rates of interest have fallen from a half to 1 percent in the last few years.

Mr. HANCOCK. Is it not also true that in a great many of your associations, the members of your board of directors serve without compensation?

Mr. BODFISH. Yes; that is true practically without exception all over the country in all institutions. They give their time and judgement on a matter of community service.

Mr. GIFFORD. And right in that connection, even though successful as they are, many of them are going Federal.

Mr. BODFISH. Yes; there are about eleven hundred of them out of ten thousand that have taken the Federal charters instead of State charters.

Mr. GIFFORD. Will you just briefly tell us why they go Federal, Mr. Bodfish?

Mr. BODFISH. Well, I suppose, Mr. Gifford, in the main it is the same reason that actuates the State banks often to take a National Bank charter. The Federal charter is a uniform charter, the same as for the whole country. In some cases the State laws under which they had operated seemed unduly restrictive as to their activities, and in other cases they felt that they found more sympathetic supervision. We have had instances where we have had a failure of a State chartered institution, and then, another institution in the same community felt it could move forward more effectively if it would move forward as a Federally chartered institution, in the same way that banks became National Banks with National charters, instead of State banks.

Mr. GIFFORD. They offer a lower rate of interest to borrowers, but why?

Mr. BODFISH. I do not believe they can offer any lower rate of interest to borrowers because of a Federal set-up rather than with a State set-up. Your Massachusetts cooperative banks are lending at 5 and 5½ percent.

Mr. GIFFORD. They go Federal in my section, and I have to go down here and protest every one, against them before the Committee and allowing them to go Federal. They have an advantage of 1 percent. I want to know what this Committee has done in the way of subsidy that they can compete with other banking facilities such as you have described when they want to go Federal, and offer money at a rate 1 percent lower? They are doing that and causing me a lot of trouble and also others, because they say I am against the people getting a lower rate of interest, and the others say I am preventing the banks, upsetting the banks, by letting them do it. This Committee will have that same trouble.

Mr. BODFISH. Mr. Chairman, the price of money in our institution turns upon simply the price at which you and the rest of the public are willing to place your savings with these institutions.

Mr. GIFFORD. Yes; but would you tell this Committee that they can come to the Federal Authority and sell their securities at any time?

Mr. BODFISH. The reason I did not mention that was because this committee in its wisdom——

Mr. GIFFORD (interposing). Do not say that, "in its wisdom."

Mr. BODFISH. I would like to finish my statement.

This committee, in its wisdom, made identically the same privilege available to every State-chartered institution in the country, and wrote right in the law that the Federal Home Loan Bank Board down here should administer that provision without any distinction in favor of the Federals.

Mr. GIFFORD. Yes; but they got this, Mr. Bodfish, acting upon the assumption that there were not sufficient banking facilities in those areas.

Mr. BODFISH. That is partly right.

Mr. GIFFORD. Why should we allow them to go Federal when there are plenty of other banking facilities in this section?

Mr. BODFISH. Mr. Congressman, I do not care particularly whether a group of citizens, members of a financial institution, wants to operate under a Federal charter as against a State charter. It should be their privilege to choose. That does not increase the number of institutions. It merely changes the charter and the supervision.

Mr. GIFFORD. They go Federal so that they can take advantage of these other splendid institutions. They have done the same thing in places where they did not have adequate banking facilities, and we are now letting them take advantage of it.

Mr. BODFISH. This same privilege is available to every State-chartered institution and cooperative bank.

Mr. HANCOCK. I think it is important that the record should show that. In my understanding of that legislation, it was not a question of whether or not there were banking facilities in the community alone, but also and particularly were there home financing facilities in the community. And it has been my observation that the Board has probably made some mistakes, but I know they have always been very careful to ascertain whether the need existed before they chartered an institution in a particular community.

Mr. GIFFORD. I am glad to see my protest in that connection was listened to, because we had all sorts of these cooperative banks, they were plentiful in my city of Worcester, and they went Federal, were not stopped from doing so, and they certainly had plenty of banking facilities there.

Mr. HANCOCK. The gentleman also appreciates the fact that under the provisions of that act the Government offers very attractive financial facilities in that they can match the local community three to one, and, in addition to that, they have a provision, which some of our institutions do not seem to approve, whereby the shares are guaranteed just like deposits are guaranteed by the Federal Deposit Insurance Corporation.

Mr. BODFISH. I might say, Mr. Chairman, that the money is two-thirds gone, and it is going to be completely shut off on September 1, and, as far as the building and loan associations of the country are concerned, we are very happy. We felt it did a great service in a period in which, frankly, the institutions in many areas of the country were not receiving savings or deposits from the public, and that money invested in both the State-chartered and Federal institutions did excellent service. It is terminated now, and we are happy it is. Our group was and is as strongly opposed to the promiscuous chartering of State or National financial institutions as any man on this committee can be. It was certainly the promiscuous chartering of banks that had a large part in tearing down the banking structure.

Mr. GIFFORD. You can readily see that a dozen banks in my section were terribly frightened about that.

Mr. BODFISH. Yes; that is true.

Mr. FORD. Is it not true that the law did have a beneficial effect? People put their money in, and the people who received the money were in a position to finance homes.

Mr. BODFISH. There is no question but what it was effective in getting our institutions back into active business.

Mr. McGRANERY. It kept the life blood in many of these institutions flowing more freely?

Mr. BODFISH. Yes. We had a period in which there were practically no savings flowing in at all.

Mr. WOLCOTT. What do you think about the demonstration projects, Mr. Bodfish?

Mr. BODFISH. I believe that we have enough demonstration projects at the present time. I was glad to see the committee interrogate Secretary Ickes on that question. In his statement for the Senate committee he was unqualified in his opinion that the demonstration projects should be eliminated. We recommend complete elimination of demonstration projects, and an amendment to subsection 7, in the middle of page 2 of the memorandum so provides.

Mr. WOLCOTT. I notice the section dealing with demonstration projects, section 12 of the bill, was stricken from it in the Senate on motion made by Senator King yesterday to the effect that that section be stricken out.

Mr. BODFISH. That is right, and there are several other places in the bill if the demonstration projects are eliminated which should be perfected. For example, in the section dealing with the powers of the Housing Authority, the United States Housing Authority is given the right to take property by right of eminent domain or condemnation. If there are to be no demonstration projects that will be done entirely by local bodies, either by acquisition, sale, condemnation, or the like. So there is no occasion, with demonstration projects out, for the power being in the Federal Authority.

Mr. WOLCOTT. So that instead of the Housing Authority being given authority to decree or declare condemnation, this authority should be given to local agencies.

Mr. BODFISH. Under the State legislatures——

Mr. GIFFORD. In this bill there is a provision for the Federal Authority to repay them, to contribute.

Mr. BODFISH. Make annual contributions?

Mr. GIFFORD. No; as I understand it, the condemnation costs, and the lawyers' fees, and fees for tearing down the old buildings on the site.

Mr. BODFISH. I think that can all go out if you eliminate this section on demonstration projects.

Mr. GIFFORD. No; under the grant of $25,000,000 the first year, or $51.000,000, or whatever it is, they can use that money to help out.

Mr. BODFISH. That is right, to help the local authorities.

Mr. GIFFORD. They can get money from local people, and insurance companies, up to 90 percent.

Mr. BODFISH. No; they borrow it from the Federal Housing Authority up to 85 percent.

Mr. GIFFORD. Are they not authorized to borrow up to 90 percent? Can they not mortgage it to provide loan companies first?

Mr. BODFISH. Yes. They can borrow from anybody that will lend to them, but the United States Housing Authority is provided in this bill with $700,000,000, which is at its disposal to lend to the local authorities.

Mr. GIFFORD. To lend on what security?

Mr. BODFISH. It implies a mortgage or the bill says they must "be secured."

Mr. GIFFORD. The property is already mortgaged, and they can still lend to them?

Mr. BODFISH. I do not know that the bill requires a first lien, but a mortgage is implied and total loans must not exceed 85 percent.

Mr. GIFFORD. The bill reads perfectly plain. Even though it is mortgaged already the Government mortgage is subordinate.

Mr. HANCOCK. That is right. The Government's mortgage is subordinated.

Mr. GIFFORD. Yes; the Government's mortgage is subordinated, and they must contribute, pay for that examination of title, that condemnation, and tearing down of the place, which represents nothing in value. That is all gone.

Mr. BODFISH. Except it is a condition precedent to a project, and it is part of the expense of creating the project.

Mr. GIFFORD. On what kind of security?

Mr. BODFISH. If you want me to express myself on that, I think it is rather good security, if I may be humorous; if you can lend a local authority money, and then make them an annual grant to pay the interest of the loan, I think that is very good security.

Mr. GIFFORD. Is it not a pure subsidy?

Mr. BODFISH. Well, there is a substantial amount of subsidy, and also other grants that have been proposed in this bill, and I think you are going to have to do it to a certain extent if you are to have real slum clearance.

Mr. GIFFORD. Then, let us acknowledge it.

Mr. BODFISH. Yes.

Mr. McGRANERY. I suppose you are familiar with the building and loan associations in the city of Philadelphia somewhat?

Mr. BODFISH. Mr. Chairman, won't you help me out? I don't want to discuss building and loan associations in Philadelphia.

The CHAIRMAN. You are in very good hands; go ahead.

Mr. McGRANERY. Do you know something about it?

Mr. BODFISH. Yes.

Mr. McGRANERY. Suppose there is a property in a good neighborhood selling at $6,500, and having an assessed value of $4,500, and a very industrious man, one who works hard and is raising a family, goes to one of these associations in Philadelphia and says, "I would like to buy this property"; how much would your association lend him on that property?

Mr. BODFISH. A $6,500 property?

Mr. McGRANERY. It is assessed at $4,500, in a good neighborhood.

Mr. BODFISH. We would not be interested in its assessed value, because, in the main, the assessments do not give us much of a picture of the market value. If it had a market value of $6,500, I imagine the institution would be willing to lend up to two-thirds or three-fourths of its value.

Mr. McGRANERY. Two-thirds?

Mr. BODFISH. Yes.

Mr. McGRANERY. Where would the man go to get the other one-third? Do you know of any other institution that might supply it to him?

Mr. BODFISH. No. Of course, I believe, Congressman, to be candid about it, that a man should not attempt individual home ownership until he has saved up anywhere around 20 percent of the pur-

chase price, and then if he is a person of good character, with an income, and is established in the community with a record for paying his debts, we often go as high as high as 75 or 80 percent.

Mr. McGRANERY. But at no time would you ever loan him as much as 100 percent, no matter how good his character or how industrious he might be?

Mr. BODFISH. No, sir; not intentionally. We have made a lot of 100-percent loans in the past, but we did not intend to.

Mr. McGRANERY. They turned out to be 100 percent?

Mr. BODFISH. That is right.

Mr. McGRANERY. And some of them turned out to be 200 percent and 250 percent?

Mr. BODFISH. Well——

Mr. McGRANERY. This is the last question I am going to ask you, Mr. Bodfish: Is not that one reason for your congestion, or another one of the reasons?

Mr. BODFISH. No, Mr. Congressman; I believe that the work of our institutions in connection with——

Mr. McGRANERY (interposing). I am not blaming your institutions.

Mr. BODFISH (continuing). In connection with individual home ownership has done more to start out the American citizen on building or buying his home than anything else. Philadelphia had a very tragic recent experience there through promiscuous chartering in the twenties and a lax State law, tragic to those of us who believe in the building and loan home financing idea, but it has been remedied now. I think the work of our institutions has been a very great aid in eliminating that sort of condition and spreading out a city instead of congesting it.

Mr. McGRANERY. The fact is that these very industrious men cannot obtain a property upon which an association in Philadelphia would lend up to the actual value of it. He has got to remain down in the old quarters; he cannot move out?

Mr. BODFISH. I would say that is true until a man has accrued savings sufficient to make a down payment of 15 or 20 percent, that he cannot embark on home ownership. He can possibly rent proper housing.

Mr. McGRANERY. There is not an association in Philadelphia, and I think I am familiar with all of the building and loan associations there, that will lend more than 55 percent of the value of the property.

Mr. BODFISH. Some of them make some F. H. A. loans up to 80 percent.

Mr. McGRANERY. Yes, F. H. A. loans; but I am speaking now about a board of directors sitting down at a meeting and passing on a loan.

Mr. BODFISH. I will tell you, Mr. Congressman, those directors in that area had a very extensive experience with 75-percent and 80-percent loans in the recent depression, and I suppose they are a little gun-shy or at least pretty careful about the loans they make.

Mr. McGRANERY. You are speaking now of the financiers, the Philadelphia Co. for Guarantee and Mortgages?

Mr. BODFISH. No, sir; I am not. I am speaking of the little board of directors that sits out in hundreds of communities in your city of Philadelphia and decides whether they will make a loan or not.

Mr. McGRANERY. Is that not true of every city in the United States?

Mr. BODFISH. We have not had a situation quite as difficult as they have had in Philadelphia, where they had these second-mortgage loans.

Mr. McGRANERY. Do you not know that Philadelphia has more individual home owners than any other city in the United States?

Mr. BODFISH. We have other cities that approach it, but for decades Philadelphia has been the center of building-and-loan activity, and it is known as the City of Homes. Grand Rapids exceeds it in home ownership, but I am sure among the large cities you do have the largest number of home owners, and I think in fairness I should say it has been largely due to the work of our institutions.

Mr. FORD. Do you have any statistics on that in Los Angeles?

Mr. BODFISH. The percentage of home ownership in Los Angeles is not as high as in some of the older eastern cities.

Mr. HANCOCK. Mr. Bodfish, in order to keep the record straight on the question asked by Mr. Gifford, do you not think it is both desirable and wise to have some provision in this bill which is attractive in inducing private capital to participate, and if so, how should we do it?

Mr. BODFISH. I think, Mr. Congressman, that some of those housing projects should be financed, or could be financed by local capital without drawing on the credit of the Federal Government.

Mr. HANCOCK. In the event that a community participates financially, would you give that community a prior lien, or would you just put it on the same basis as the Federal Government, through something in the nature of a participating certificate?

Mr. BODFISH. Well, I believe this, that these housing authorities, properly constituted, having the tax-exemption privileges that are given them under this act, are going to be able to issue securities, and possibly do a good portion of their own financing without coming to the Federal Government at all, but I see no reason why, if the Federal Government is willing to make capital grants, why they should not—why they would not get more money back, if they made a junior lien and decreased the commitments on the Treasury, let us say, by such local financing as the housing authority could obtain.

Mr. HANCOCK. Now, to get back to the heart of this bill, I assume you are thoroughly familiar with the Senate bill, as well as the House bill?

Mr. BODFISH. Yes; reasonably familiar.

Mr. HANCOCK. You are familiar with the present status of the bill before the Senate?

Mr. BODFISH. Yes; that is true.

Mr. HANCOCK. Under either of the bills, as originally introduced, or as revised in the Senate, what group of families according to income would benefit in your judgment?

Mr. BODFISH. Well, I think as revised in the Senate, as originally introduced, I think you would have touched, in the main, a group of families distinctly above the lowest-income groups. However, the Senate has amended the bill to distinctly provide that the low-

income families means families of the lowest incomes in the communities.

Mr. HANCOCK. All right, in view of the other provisions of the bill, and assuming that the cost would be $1,000 per room, and the average rent would be $5 per room, how, unless you increased the proposed subsidy, could a family with an income of $700 or less be eligible for occupancy in one of those projects?

Mr. REILLY. A man with a family of three could become eligible.

Mr. BODFISH. Let us see. You say $5 per month, and a family would take four rooms. That would be $20 a month. You say a family with $50 a month income?

Mr. HANCOCK. Yes.

Mr. BODFISH. I doubt if a family with $50 income could. I do not think they could provide themselves with the necessities of life and pay $20 of income for a house. I think a fellow down that far is probably a relief problem.

Mr. HANCOCK. Mr. Bodfish, where would you draw the line on income with respect to families that would be eligible under this bill?

Mr. BODFISH. I think that should vary with the conditions in the communities in which they live. I think it is going to be higher in a city like New York, for instance, where living expenses are much higher than in the city of Atlanta, for example, where living expenses are not so high, but I would like to see this bill applied to the families that got anywhere from $400 up to $700, and probably up to $900 or $1,000 in the cities where the costs of living are highest.

Mr. HANCOCK. I thought I understood you to say at the outset that you thought this bill ought to start at the bottom; is that your idea of the bottom?

Mr. BODFISH. Yes; I think so, going on down to people that have even more nominal incomes.

Mr. HANCOCK. I think you will agree with me that the statistics show that 40 percent of the families in America have incomes of less than $1,000 a year.

Mr. BODFISH. I know, but that includes farm families where the cash income is not the measure of the thing entirely.

Mr. GIFFORD. There is one vital question I would like to ask you. You made the statement that you thought a man ought to save one-third of the cost of a house before he can have a house.

Mr. BODFISH. I said at least 20 percent of the cost.

Mr. GIFFORD. If the Government steps in and does it, what inducement in the future will there be for people to try to save money?

Mr. BODFISH. I think that is one reason why, in the final formulation of this bill, that it should clearly deal with the under-privileged, the people, let us say, the 20 percent of lowest income, so that by a legislative statement of policy, if you please, the other 80 percent or 66⅔ percent will know that they are not to be assisted by public housing projects.

Mr. GIFFORD. Does it not make some difference as to the size of the family and the dependents of the man?

Mr. BODFISH. Yes, sir; that is true, it does.

Mr. GIFFORD. Maybe it is a man and his wife only.

Mr. BODFISH. That is right.

Mr. GIFFORD. Or it may be a man has his wife and five children.

Mr. BODFISH. Yes.

Mr. GIFFORD. How can you determine that?

Mr. BODFISH. Well, it is very difficult. The British have made some progress in handling that on some of their projects. They establish the rent for, let us say, of a four-room unit, and they take the contributions that have been made by the Exchequer, which is their Federal Treasury, and those made by the local authorities, and they throw them into a pool, and then they set a different rate per family, and the family is given rebates, based upon its needs, conditions, and its ability to pay, and in operation it becomes practically the same problem we have in administering relief assistance to a family. I think that certainly it is difficult, and I propose a little later to suggest that sort of a policy in an amendment, and that we make sure that kind of a policy can be followed by the local authorities in the disposition of the contributions that are made by the Federal Government.

Mr. GIFFORD. Do you think that the Federal Government should set up these conditions that should be imposed?

Mr. BODFISH. I think they should declare a policy if they are going to make Federal moneys available for that purpose.

Mr. GIFFORD. And, in England, when they go above this income amount, they are not allowed to remain in that house?

Mr. BODFISH. That is right, they have to move out.

Mr. HANCOCK. Would you say that the families in the United States today that are on relief would be classified as those in the lowest income brackets?

Mr. BODFISH. I would say a fellow on relief is probably without income at all.

Mr. HANCOCK. Do you think that any of the group of people who have been, because of no fault of their own, forced to find work with the W. P. A. would be eligible for housing under this bill?

Mr. BODFISH. I doubt it. Just assuming ordinary administration and the ideas and practices to date in public housing; I doubt it in its present language.

Mr. HANCOCK. I assume you are familiar with Mr. Hopkins' idea that, regardless of what we may do with our economy, that we are likely to be faced for a long period of time with a great number of unemployed, perhaps 5 million people? Would any of that group be eligible for relief under this housing bill?

Mr. BODFISH. I doubt it, unless we administered our relief funds so as to give rent relief sufficient to permit them to rent these quarters. If such rent relief is made available, and sufficient projects are constructed, why, of course, they could.

Mr. HANCOCK. If you started with that group would you not be starting at the bottom?

Mr. BODFISH. Yes; I suppose there is where the bottom is.

Mr. MCGRANERY. In Pennsylvania that real bottom, then, would amount to something in the neighborhood of $800 a year. They get 50 and 60 dollars a month.

Mr. BODFISH. I am not familiar with that.

Mr. HANCOCK. In North Carolina unskilled labor gets $22.50 and $23 per month on the W. P. A.

Mr. REILLY. They can build houses down there for $1,000.

Mr. HANCOCK. You can also build a pig pen for $5.

Mr. CRAWFORD. Did I understand you were referring to those actually working on the W. P. A. or P. W. A.?

Mr. HANCOCK. I said W. P. A.

Mr. CRAWFORD. I understood you to say that would probably be the lowest income group. What about the unemployable who do not have work, who are absolutely dependent on charity? They would still be a lower group than those Mr. Hancock referred to, would they not?

Mr. BODFISH. Yes; but they are completely without any income of any kind. They are a social problem. We must care for them out of charity and out of relief funds, in many cases in institutions, and it is difficult to say how best to house them; I do not know.

Mr. WILLIAMS. In other words, Mr. Bodfish, under this bill we must get down to the proposition of a minimum- and maximum-wage income?

Mr. BODFISH. I think it is well to go as far as you can get and many feel that public housing should show a partial return on part of the investment. I do not know whether you can express it in dollars and cents or not.

Mr. WILLIAMS. You have a strata in there which this bill will cover, which will not go above or below that strata?

Mr. BODFISH. That is probably true.

Mr. WILLIAMS. Of course, fundamentally, that depends on the location in which the project is constructed?

Mr. BODFISH. Yes.

Mr. MCKEOUGH. Do you not think that anyone with an income under $600 would not be eligible under this bill for the simple reason that he simply could not pay the rent?

Mr. BODFISH. I think it is conceivable if they built some of these projects modest enough in their appointments. For instance, if there is a man and his wife, and he only needed two rooms, or two and a half rooms, he could pay the rent.

Mr. MCKEOUGH. It depends upon what the rent is. You cannot make a different scale of rent for different people who may not have the income for the same kind of a unit?

Mr. BODFISH. I think you could; yes. I think the ultimate objective in this is not to rent rooms on a basis that is related essentially to the cost of construction or even to the size of the apartment that they occupy. The ultimate objective becomes somewhat more social, for the purpose of getting a family which is underprivileged and cannot take care of purchasing a proper house, into a proper house.

Mr. MCKEOUGH. I do not know whether you misunderstood my question or whether I misunderstood you. Do you mean to say you would charge a different rent for exactly the same quarters?

Mr. BODFISH. If I were doing it I would.

Mr. MCKEOUGH. Depending upon their income?

Mr. BODFISH. Depending on their income and the need of that particular family, absolutely.

Mr. MCKEOUGH. Then, under that theory, you could go down to the bottom?

Mr. BODFISH. That is right, excepting persons belonging in institutions, and so forth.

Mr. MCKEOUGH. And pay all of the rent?

Mr. BODFISH. That is what we are doing in relief and charity at the present time. You are paying all of the rent. It is a question of whether you are paying rent from relief funds that goes entirely to a private landlord, or here we pay it in grants and subsidies and rent from a public landlord under this bill. If relief is adequate some of those people could live in projects created by local housing authorities with the financial assistance and guidance of the Federal Government.

Mr. MCKEOUGH. But here is one project with a four-room unit on it, and you would rent that to a man who has an income of, say, $1,200 per year for, say, $16 a month, and the man that only had $300 a year is not charged anything, in the same project.

Mr. BODFISH. If I were administering it that is exactly what I would do. I would set a fair rate and charge the fellow who could pay, and make a minimum rate to the fellow who could not pay. It is done successfully in some of the projects in Great Britain right at this time.

Mr. MCKEOUGH. Of course, if you did that you would have to raise up the average of the people who could pay more. The question I had in mind is how you are going to take care of that group who simply could not pay any rent at all?

Mr. BODFISH. I think your answer on that is in this country we are taking care of them through relief payments. It is a question if that relief payment is enough to house them. It is very small, but they can take that relief payment and pay for something now existing, owned by a private enterprise or by a public housing authority.

Mr. MCKEOUGH. Is it your conception that is the intention or purpose of this bill we are now considering?

Mr. BODFISH. As I understand the purpose of the sponsors of the bill, it was to touch a class or a strata above the people on relief and having a nominal income, but still not with sufficient income to buy honest-to-goodness housing at the present time.

Mr. WILLIAMS. To my mind, this phrase "lowest income" will not mean anything at all unless it means the fellows who have got the least income.

Mr. BODFISH. That is right. I think that that point of view is perfectly sound. We ought to start practically at the bottom and work up.

Mr. MCGRANERY. In other words, your idea is that this bill is only the beginning of a great program.

Mr. BODFISH. I think before we are through——

Mr. MCGRANERY. A tremendous problem facing us at this time.

Mr. BODFISH. That is right.

Mr. MCGRANERY. And this is only a start.

Mr. BODFISH. I think so.

Mr. MEEKS. Mr. Bodfish, I have listened with a good deal of interest to you here. I would like to ask you something about this. There has been something said about the theory of Mr. Hopkins, and the W. P. A.'s theory about public relief continuing with us regardless of what we do, some four or five million people having to be taken care of all of the time.

Now, a few months ago I talked with a great industrialist about this same thing and he stated that in his opinion we would always have, by reason of inventions and one thing and another, the in-

genuity of manufacturing, at least 12,000,000 or 15,000,000 people unemployed, and I asked what we were going to do with them, and he said that they will have to constitute the reservoir of supply of labor.

Now, there are two views of this matter so far as relief is concerned.

Now, this whole matter so far as this country is concerned, is experimental, is it not?

Mr. BODFISH. That is true.

Mr. MEEKS. If we are going to clear out the slums, we have got to take care of the people at the bottom.

Mr. BODFISH. That is right.

Mr. MEEKS. Or we cannot get rid of the slums; is that right?

Mr. BODFISH. That is true.

Mr. MEEKS. Now, there are cities with areas without sanitation, are there not?

Mr. BODFISH. That is true.

Mr. MEEKS. And they have slums in those various areas?

Mr. BODFISH. That is true.

Mr. MEEKS. And without sanitation and other means of healthful living, which must be provided?

Mr. BODFISH. That is right.

Mr. MEEKS. And that will have to be done by local authorities?

Mr. BODFISH. That is right.

Mr. MEEKS. Now, what I want to get at and what I have been trying to get at in these hearings is something which no witness has yet answered and that is this. How are we going to take care of the people in the lowest brackets in these slum districts? You have come the nearest answering it by saying that in Great Britain some such plan is being followed and you have indicated or intimated that we will have to do it in this country.

Am I correct about my understanding of your statement?

Mr. BODFISH. Yes; I think you are. I do not feel that the army of unemployed such as you mentioned is a necessary thing in this country as a permanent matter.

Mr. MEEKS. If we had the unemployed or the unemployables, if we have unemployed who cannot get employment, it is our business to take care of them, is it not?

Mr. BODFISH. Absolutely.

Mr. MEEKS. Some slum clearance, or no slum clearance?

Mr. BODFISH. That is right.

Mr. MEEKS. Now, some slum clearance as such is a good principle, economically, is it not?

Mr. BODFISH. I think so. I think that it can be justified; yes.

Mr. MEEKS. Now, that will take care of the larger places, the larger cities.

What do you say about the philosophy of a bill of this kind, the theory of it, in its application to cities of 25,000, 30,000, 40,000, or 50,000, or 75,000, such as the towns which we have in Illinois, Indiana, Iowa, Missouri, and some other States? How will it apply to them in a practical way?

Mr. BODFISH. Well, Mr. Meeks, I see no reason why in a town like Danville, or Kankakee, or a town of that size, if the local people there want to participate and sponsor and do their part, why we

should not house some of the underprivileged and unfortunate families in that community in public housing. It seems to me this philosophy of this bill is applicable right down to towns of reasonably small size.

Mr. MEEKS. Ten thousand people?

Mr. BODFISH. Maybe down to 5,000.

Mr. MEEKS. Five thousand?

Mr. BODFISH. Yes.

Mr. MEEKS. But your idea is, in order to make it effective, will require local cooperation; that is, cooperation by local authorities.

Mr. BODFISH. I think that is correct.

Mr. MEEKS. State and municipal?

Mr. BODFISH. Absolutely.

Mr. MEEKS. Now, is that the way it is done in the foreign countries?

Mr. BODFISH. I suppose our conditions are most similar to conditions in Great Britain. In Great Britain housing is done by local authorities without exception. There is no such thing, to my knowledge, as the national government building a housing project and renting it in Great Britain. They make loans. They approve projects. They have made annual contributions to local authorities, town councils, county councils; housing groups of that kind.

It is all decentralized as regards building, operation, and maintenance of the projects.

Mr. MEEKS. But a responsibility is placed upon the local authorities to help?

Mr. BODFISH. That is right. That is right.

Mr. MEEKS. Now, suppose that this sort of enterprise were put into effect; it cannot interfere with the legitimate private business?

Mr. BODFISH. If carefully restricted by the Congress, I think not.

Mr. MEEKS. It might help?

Mr. BODFISH. It is my judgment, Mr. Meeks, that if this bill is clearly pointed to the lower 20 or 30 percent and so administered with local responsibility, that it will help the whole housing and employment picture. It will help private business and the like.

I have no apprehensions about the effect of public housing upon private housing, if public housing is really pointed to and restricted to the underprivileged groups in a community. We have been dealing with general things here today, including men for war, and everything but public housing, almost. As a matter af fact, if we can effectively get the construction industry back into action in this country, we will probably do more, in my judgment, to decrease the unemployment rolls than anything else. There is no industry whose ramifications filter so far back and so interlace around the country as the construction of homes for citizens and also of buildings for rent, and I think that this sort of housing, intelligently done, will help the general business picture. I hope the public housing can be limited as the Senate has done in its bill, so that those whose livelihood and interest and occupations are concerned with private housing, large and small, will know that they can go ahead and the people can build or purchase property without having the Government subsidize projects available to the class of people who should be the market for private housing.

Mr. MEEKS. Now, something has been said about building associations. There are a great many of them in Illinois, are there not?

Mr. BODFISH. Over 800.

Mr. MEEKS. A good many of them in my town.

Mr. BODFISH. Eight.

Mr. MEEKS. Now, have they not done more than any other single agency especially in the smaller cities? I do not know about the larger cities. But we only have about three towns in the State outside of Chicago with 100,000 inhabitants.

Mr. BODFISH. That is right.

Mr. MEEKS. Now, these associations have done more than any other agency to encourage home ownership, individual ownership, have they not?

Mr. BODFISH. For a whole century, Congressman, we were the only source of credit to buy or build a home for the working classes.

Mr. MEEKS. And they were able to buy and pay for these homes out of their earnings?

Mr. BODFISH. That is right.

Mr. MEEKS. That is what it means to a very large extent, these towns in our State, that I have been talking about.

Mr. BODFISH. That is right.

Mr. MEEKS. Am I correct about that?

Mr. BODFISH. Absolutely correct.

Mr. MEEKS. Now, the housing plan if it is executed as we have been talking about it here will not interfere with that enterprise, will it?

Mr. BODFISH. I do not believe so, if it is carefully done for the lowest income 20 or 30 percent.

Mr. MEEKS. In fact, it is liable to encourage it, by improving the general character of the community.

Mr. BODFISH. I think that that is particularly true if we tie our Federal generosity up with the insistence upon proper sanitary ordinances, proper means of preventing overcrowding and demolition of unsafe structures. I think that the ramifications of this thing if it is meshed in with the things that should be done in the community, can be most constructive and very useful.

Mr. MEEKS. Which will include zoning. You would include zoning in that?

Mr. BODFISH. I would include city planning and zoning. I do in our amendment here, as a matter of fact.

Mr. LUCE. In view of the fact that the witness has been on his feet for an hour and three-quarters, I fear that he will collapse if he cannot conclude his address, and address himself to the proposed amendments.

I want to call his attention to the next amendment that is suggested on page 3.

The CHAIRMAN. The witness is 4 or 5 years younger than you or I, Mr. Luce!

Mr. WOLCOTT. He has pretty good endurance.

Mr. LUCE. Assuming that the provisions about demonstration projects relates to "consumers' housing societies" and the sections are limited to provide for private housing agencies, are out of the bill, your next amendment relates to the size of the board. I think that you have that subject pretty well in mind. As I understand, your

contention is that a board is better than one man and that a three-man board is better than a five-man board for administration. But, do you care to argue in behalf of your three-man administration?

Mr. BODFISH. Mr. Chairman, I am a little hesitant to discuss a proposition that involves, as I gather from Mr. Ickes' testimony, the philosophy of the President's reorganization program.

I do not hesitate, however, to express my own views on the matter as regards H. R. 5033 and I hope if I do they will not be construed to be in criticism in any way of either the point of view of my fellow townsman, Mr. Ickes, or of the reorganization plan of the Government now before the Congress.

I am frank to say that I do not believe we ought to take $700,000,000 to be loaned in 3 years, including grants over a period of 60 years that will run to approximately $3,000,000,000, and put them entirely in the hands of, and subject to the judgment of one man, no matter how competent he may be.

We would not think, as you men know, in private business, of taking a responsibility so colossal and not providing some definite way through which the policy and other key decisions were made by several experienced and competent men.

Now, I think I understand the thing that is troubling the Secretary. I do not believe that a board of directors, be it governmental or private, can conduct the administration details or difficulties of any business. I think if you have a board of five and a board of ten, and you let them buy postage stamps and hire and fire stenographers and do all of the routine administration, you are apt to have, let us say, some of the inefficient conditions that Mr. Ickes referred to; but I do not feel that the board of governors of the Federal Reserve System, for instance—as I recall that board it is now seven—I do not feel that they are just ornamental supernumeraries or a debating society, outside of the governor of the system. I do not feel that the members of the Federal Trade Commission could be better replaced with one man.

I think where you handle such large affairs, you have a situation in which the joint judgment and joint discussions and joint decisions are desirable. Personally I believe in some give and take in all affairs.

In the Senate bill, as I understand, there is a board of three. The administrator or one member of the board is given the administrative functions, the hiring and firing, and the conduct of the routine or executive phases, and the other members of the board are supposed to be the ones who join with him in the determination of the policies, and I really believe that at least a board of three would be desirable where such large affairs would be handled. After all a couple of $10,000 or $9,000 salaries do not mean anything as regards economy and a single administrator will pay the salaries anyway in the form of assistants, and deputies, and assistants to the deputies, and deputies to the assistants, and so on and so forth.

I do not see any reason why we should not have three or five men in charge and that the appointments be cleared through the Senate, in the usual way.

The CHAIRMAN. You have not heard anybody advocating reducing the number of the Federal Reserve Board?

Mr. BODFISH. No.

I can see where the head of the board should have the administrative phases assigned to him so that he can conduct the routine detail in a businesslike manner rather than a board of five or a board of three trying to do the details.

Personally I do not subscribe to this notion that independent agencies must be put under some particular jurisdiction. The affairs of this Government are so great and so varied that the analogy of a private business corporation just does not maintain. And while it is, I suppose, logical, to put the independent agencies, relate them a little more closely to some of the Cabinet positions, I think that one of the things that is wrong with American business, if I may divert for a minute, is the units have become entirely too large. I think we will all agree that the Government is no more competent to handle affairs that are many times greater in even larger units than we have attempted in private business.

Mr. McKEOUGH. Mr. Bodfish, you subscribe to this theory that inefficient democracy is devoutly to be preferred to the super-efficiency of a dictatorship?

Mr. BODFISH. I think that is a good statement.

Our amendment, Mr. Chairman, regarding the authority or board merely suggests that you follow the precedents established in the Federal Reserve Act in laying down a policy and making certain that an appropriate variety of experience and training and geographical distribution be represented on the board of five. The Senate has reduced the number of directors to three, however, but it would still be wise to insure a fair representation of public housing, mortgage credit, and construction experience, and also take into consideration the geographical divisions of the country.

The CHAIRMAN. Would you not attach considerable importance to the geographic sections?

Mr. BODFISH. That is right. I think so. And I think if we are going to lend and grant these colossal funds and so forth, if you are going to have a board of five, it would be well to have some man who has had a thorough experience in the credit field, and somebody from the construction industry, and somebody from the labor field.

This is going to have a lot of labor problems when you instruct all of the local authorities to build their projects under the rigid regulations that we find for direct construction by the United States.

Mr. LUCE. We could not accomplish that very well if we followed the Senate in No. 3.

Mr. BODFISH. I think it might make it awkward, although maybe it could even be done with three.

Mr. LUCE. Now, let us go ahead with the next item.

Mr. HANCOCK. Mr. Bodfish, let me interject this before you leave that subject. In the event the committee should decide in its wisdom to limit the number of the authority to three, what would be your idea of having a public finance commission to act in an advisory capacity to the authority since housing and home financing are so closely related?

Mr. BODFISH. Well, Mr. Chairman, in response to that question, I simply believe that in all of these operations where you are developing new policies, new programs, and the like, that it is very wise to provide in an orderly and statutory way for advisory groups, maybe of a dozen or 15 men, selected to serve without compensation; but who can come to Washington two or three or four times a year and make recommendations and advise the administrative authorities regarding general policies and procedure.

I think that you will find that in the absence of that sort of advisory group that the main advice our bureaus will get is from their employees and those outside who agree with them entirely, and I would think it particularly desirable in connection with housing that you have an advisory group created by statute which might include distinguished persons interested in housing from church organizations, social groups, labor, finance, construction interests, municipal authorities, and the like.

I think they would do much to keep the program coordinated with what private enterprise is doing and help make the program a success.

I might say that the British use such group rather effectively. Their central housing advisory board was created in the 1935 Parliament Housing Act and one of the amendments I have here suggests a national housing advisory committee. As a matter of fact, the British in their allocations of funds turn the matter entirely over to the Minister of Health, who is a cabinet officer, and the financial grants and loans are passed upon by a board called the Public Loan Commissioners, which is a group of businessmen and bankers and the like, largely in the London area which control the allocation of all of the public-works funds. The Minister of Health there cannot make a grant without the clearing through this body which takes political and other pressure off the Minister of Health and his advisers.

Mr. McGRANERY. This advisory board you recommend—that would be a full-time advisory board, or one of these dollar-a-year propositions?

Mr. BODFISH. I would not even want to give them a dollar a year, Mr. Congressman. I would want to give them their railroad fare here and back three or four times a year; but if you create the board or advisory committee, in the statute I think that you can get just about as outstanding men as there are in the country interested in this subject and get them to come down here and spend several days, two or three times a year. Their guidance can be very valuable in keeping the program on a proper basis.

Mr. McGRANERY. I thought under the Hoover administration we had about all we could stand of the dollar-a-year men. It did not work out very well.

Mr. BODFISH. I do not recall any dollar-a-year men since the war period.

Mr. WILLIAMS. Am I right in the assumption that this proposal has already been treated in the Senate?

Mr. BODFISH. The matter was discussed in the Senate and there was some opposition. The amendment was withdrawn and I would not be surprised to see it embodied in the Senate bill this afternoon.

Mr. WILLIAMS. It has not been done so far as you know?

Mr. BODFISH. No; not so far as I know.

Mr. WILLIAMS. I want to ask in connection with the Senate bill—you have been watching that very carefully—whether or not the provisions in this bill for making loans to limited-profit housing organizations, whether or not that has been taken out.

Mr. BODFISH. That has been eliminated entirely. The Senate bill as now written grants loans and contributions exclusively to public-housing authorities. That is, authorities created by the State, county, or city, to conduct public-housing operations.

Mr. WILLIAMS. That being true, this term defined in the bill we have here of "consumer's housing society"—there is no necessity for that.

Mr. BODFISH. It should go out entirely. It has been taken out of the Senate bill.

Mr. WILLIAMS. Now, I want to ask you what is your impression of subsection (10) on page 5?

Mr. BODFISH. Subsection (10) on page 5. That is the section defining public-housing agencies. Subsection (10) on page 5.

Mr. WILLIAMS. Subsection (10) on page 5.

Mr. BODFISH. I see it.

Mr. WILLIAMS. Subsection (10) at the bottom of page 5.

Now, you notice the way that provision ends.

What I want to know is, is that term "governmental entity or public body"; what does that mean? What does that include?

Mr. BODFISH. Well, I think it——

Mr. WILLIAMS. Does that mean housing authorities created by the city, or State legislature?

Mr. BODFISH. That is right.

Mr. WILLIAMS. That being true, is it your idea that that authority created by the State or by a municipality should have the authority and the right to bind the State or the political subdivision thereof in a financial way for their acts?

Mr. REILLY. That would depend entirely upon the legislation creating the housing authority .

Mr. WILLIAMS. What do you think it ought to be?

Mr. BODFISH. I think that they might properly have the right to bind them; yes.

Mr. WILLIAMS. Do you not think if they receive the loans from the Government and undertake the development and management of one of these projects, that in doing so, and in the management of it, assuming the obligation of the loan which the Government makes to them, that they ought to have and should bind the State or the political subdivision which they represent for the full complete performance of that contract and stand financially responsible for it?

Mr. BODFISH. Yes; I would think so, certainly.

Mr. WILLIAMS. Otherwise, it seems to me——

Mr. BODFISH (interposing). Otherwise, the authority becomes a straw man.

Mr. WILLIAMS. An irresponsible man there?

Mr. BODFISH. That is right.

Mr. WILLIAMS. The reason I am asking that question is that Mayor LaGuardia did not seem to think that there was or should be any financial responsibility there at all. In fact, he said so.

I think that is a very important matter in the administration of this law, if it is passed, as to whether or not the public-housing agencies, governmental units, housing authorities, whether or not they are simply acting in an administrative capacity without any financial responsibility or whether they are to be, or must be in a position to bind the organization, the political unit they represent financially.

Mr. BODFISH. I see no reason if the localities are going to have cooperation or authorities created by them to borrow money and the like, why they should not assume some responsibility for payment of that money.

Mr. WILLIAMS. Do you know from your investigation of this matter any reason why that cannot be done?

Mr. BODFISH. The only reason which occurs to me is that in some cities the present debt limitation as enforced either by their charters or their State constitutions is approached if not exceeded, and it might prevent the cities or the housing authorities from those cities from borrowing money through a housing authority, and conducting public-housing activities.

Mr. WILLIAMS. To what extent is that true?

Mr. BODFISH. I really do not know.

Mr. WILLIAMS. You do not know?

Mr. BODFISH. I think that many of our cities have practically reached their debt limit. I have had no special occasion to study that.

Mr. WILLIAMS. What do you mean by the cities charters?

Mr. BODFISH. I am not sure but I think Congressman McKeough could help out on this. I think that we have a debt limit in our Chicago charter and in the charter of other Illinois cities, do we not?

Mr. MCKEOUGH. There is a debt limitation in practically all of them.

Mr. WILLIAMS. Who is the charter granted by?

Mr. BODFISH. Granted by the State legislature.

Mr. WILLIAMS. That is what I thought; and that can be changed by legislation if the legislature desires to make the change.

Mr. BODFISH. Yes; sometimes there are constitutional limitations on the State legislatures.

Mr. MCGRANERY. That is right.

Mr. MCKEOUGH. That is right.

Mr. FORD. We have a debt limitation on our cities in California. Los Angeles could not take advantage of a matter of his kind without a vote of the people changing their charter.

Mr. WILLIAMS. That is the point that I have in mind, Mr. Chairman. I know that this is true in my State. I do not know whether it is true outside of my State. I am not prepared to say about that. But, it is true in my State, I do not know about the city of St. Louis, because St. Louis is a separate entity. But the cities in our State are granted their charters by the legislative action, and so far as those charters go, they could be changed by legislative action.

Mr. BODFISH. I think that that subject should be pursued by someone who is more familiar with it than I am. I imagine that someone in Mr. Ickes' Department has made a study of it.

Mr. CRAWFORD. May I ask one question in connection with your amendment as set forth on your memorandum.

Mr. WOLCOTT. Will the gentleman yield?

Mr. CRAWFORD. Yes.

Mr. WOLCOTT. As I understand, under Michigan law there can be no such drastic change in the city charter without the consent of the people of the city. The other thought that I have in mind with that

is that if this public housing agency can bind the city, municipality, county, or State, then would not that make the application somewhat cumbersome inasmuch as it would have to go through and be approved by not only the housing agency, but the governmental authority of the city; the board of supervisors or other governing authorities of the county and the Governor and administrative boards, or some such board by the State?

Now, as I understand this bill——

Mr. WILLIAMS. Let me interrupt right at that point.

Mr. WOLCOTT. I just want to finish this.

Mr. WILLIAMS. All right.

Mr. WOLCOTT. The Housing Authority is up to supervise this investment and this is the only security for the investment, the property.

Mr. BODFISH. That is right.

Mr. WOLCOTT. No deficiency judgments can lie against the public housing agency for any losses due to the Authority's act. For that reason, unless those provisions of the bill are eliminated and we make the States, counties, and municipalities amenable to the Authority or the Authority amenable to them in that respect there is not much use of our contemplating any set-up whereby a city or a county or even a State will underwrite the bonds or obligations created by public housing authorities, is there?

Mr. BODFISH. I would not think so. I am advised that the New York State constitution prohibits anybody but the councils of the cities from obligating the city in any way.

Mr. WOLCOTT. I have in mind the Michigan law. There is a definite debt limitation placed upon our cities.

Mr. BODFISH. Yes.

Mr. WOLCOTT. To remove that debt limitation the charter must be amended.

Mr. BODFISH. That is right.

Mr. WOLCOTT. And that charter amendment is initiated in the legislature; but it is not operative until it is adopted by the people of the city and the charter amended.

Mr. BODFISH. That is right.

Mr. WOLCOTT. I cannot imagine a city in Michigan underwriting these projects, and I think that would nullify the whole purpose of this bill.

Mr. BODFISH. Well, if it would, while we both could agree that assumption of obligations would be a desirable and ideal situation, we should not follow it at the outset if it would upset or make the bill ineffective in any respect.

Mr. WOLCOTT. I doubt whether in most of the cities there are a majority of the people so humanistically inclined that they will want to encumber their own properties with taxes to give this relief to the underprivileged. That is the cold-blooded point of the matter.

Mr. BODFISH. Well, if it would prohibit the functioning of the legislation as it might be to have the cities join in these obligations, I do not think we would want to urge that. Ultimately it would be the sound policy.

Mr. REILLY. Mr. Bodfish, the only contribution by a city in securing one of these projects under this bill is what the city may

grant in the beginning as to money or land and a continuing subsidy of taxation.

Mr. BODFISH. There is no requirement at all in this bill that is before you.

Mr. REILLY. I know, but that is what they can demand.

Mr. TRANSUE. You were saying something about the situation in Chicago, which interested me. Slum conditions continued while you had a lot of empty houses, you said. When you had these houses that were empty and were renting for just the purpose of getting somebody into them, people remained in the slums. Would you say that it was difficult to get anyone even from the slums to go out there and rent those houses? That is what I understood you to say a little while ago.

Mr. BODFISH. Well, in part, yes; it was difficult to find renters, and people desired to stay in the slums for reason of income or inertia rather than complete unavailability of other quarters. I think that is more what I intended to say.

Mr. TRANSUE. I have not read your suggestions here, but what, if anything, do you suggest that we can write into this bill that will aid in the demolition or destruction of these buildings that are in the slum areas and are not habitable?

Mr. BODFISH. That is really the next amendment which appears at the bottom of page 3, and I would like——

Mr. TRANSUE. You think that that should be a part of this program?

Mr. BODFISH. Absolutely. I think the amendment is rather clear. I think that before we grant money to a city, I think we ought to get all of the facts about the housing conditions in that particular city.

One of the things that British legislation does, the act of 1935, for example, they were concerned with overcrowding, so Parliament directed all local authorities to make a survey of overcrowding, and 6 months later they knew how many people were living six to a room, five to a room, and three to a room, and so forth.

So it would seem that when you are going to make grants and give annual contributions, that it is only reasonable to ask the city, county, or housing agencies to take a good square inventory of its own area as one of the conditions on which the Federal authority would proceed.

And the next thing which appears in the amendments at the bottom of page 3 is that the authority should not—that is, the United States authority—authorize loans, grants, or credit assistance to any county, city, or public housing agency unless there exists in the area under the jurisdiction of the county, city, or public-housing agency, reasonable city planning and zoning laws, also prohibitions against the renting of insanitary or overcrowded dwellings and provisions for the demolition of unsafe structures, all adequately administered.

The next concept there, suggestion, is that the housing when built should be administered in a nonpartisan manner with the fullest measure of public trusteeship. I am not sure that our last sentence is of great importance. The first two concepts there are of major importance, in my judgment.

Mr. TRANSUE. As I understand it you have represented that there should be a local contribution to this program.

Mr. BODFISH. That is the next amendment suggested. I would like to read it, because it is another key policy.

SEC. 9. No capital grant or annual contribution pursuant to this section shall be made for any low-rent housing project unless the public housing agency receiving such capital grant or annual contribution shall also receive from the State, political subdivision thereof, or otherwise, a contribution for such project (in the form of cash, land, or the value, capitalized at the going Federal rate of interest, of community facilities or services and tax remissions, in an amount not less than 25 percent of its development or acquisition cost.

That amendment is in the Senate bill, but it is 20 percent and refers only to grants but does not include contributions. What the percentage should be is a matter you gentlemen best can decide.

Mr. REILLY. That is in the Senate bill?

Mr. BODFISH. In the Senate bill, almost identically, except that it provides for a 20 percent contribution. The requirement should apply to annual contributions alone.

Mr. WILLIAMS. That is in the original bill?

Mr. BODFISH. Not in the original bill. It is an amendment.

Mr. TRANSUE. The mayor of New York when he was here, as I understood him, said that a provision of that kind would kill the bill and that it could not function. Do you have any idea or opinion in regard to that? Of course, you have by putting this amendment in here.

Mr. BODFISH. Mr. Chairman, I have a very strong opinion on that particular subject. It seems very clear to me that if you pass a bill here which says that no contribution or assistance is necessary, there is not a city or a town in the United States that will come down here and admit that they are able to give any assistance, but if you gentlemen declare the policy that if the Federal authority gives $500,000, a city or county shall give some tax remission, or some cash, or some land to the extent of $250,000, I think that the city of New York, and most of the rest of the cities will be able to do it and they will do it right quickly in order to get the free money.

Mr. MCGRANERY. Are you familiar with the Williamsburg project?

Mr. BODFISH. Only slightly. I have not studied it.

Mr. TRANSUE. There is one other question that I would like to ask along that line: What is the British experience with regard to requiring local contributions in housing?

Mr. BODFISH. Local contributions are made.

Mr. TRANSUE. Well, are they required in all instances?

Mr. BODFISH. I should not answer too unqualifiedly, as I do not recall for sure. I think that they are required in all cases, but I am not certain.

You see, the British assistance is mainly in the form of annual grants and in the form of loans, which loans do not, so far as I know, go beyond about 90 percent of the value of the project, which means that the local authorities at least have to put up 10 percent cash.

Mr. TRANSUE. In connection with your statement with regard to having these vacant houses during the depression and the slum areas still being a problem, is it your judgment that these slum areas had existed for years and were just there anyway, and as you have stated that nothing much was being done or had been done in the way of demolition or condemnation in regard to those areas?

Mr. BODFISH. That is my feeling. It is a problem we have. We have been hustling and busy as the result of the vigorous growth of

American cities, and we have just paid no attention to it—let whole areas blight and sink down and down and down and done very little about them.

It is only a few years ago that we started having problems in respect of sanitary facilities of one kind or another. This slum matter is a problem we just have not done much with in this country.

I might say in connection with the Senate bill, and this particular thing we are discussing, one of Senator Walsh's amendments, which was adopted, provided that no grant, contribution, or the like, or loans should be made unless the whole scheme or arrangement provided for the demolition or the repair of an equivalent number of units, which is a sound proposition, and I think that that goes at it in terms of units; you have a hundred new houses or apartments here and a hundred there are demolished or renovated as a part of the public-housing project. I think that this amendment quite dovetails with the Walsh amendment, but it goes into the broader question.

Mr. TRANSUE. Have you considered the advisability of requiring, on the part of the city, to meet as a part of this the necessary things that they have to do to come in under this program, to have legislation that will require demolition and condemnation of insanitary and uninhabitable dwellings?

Mr. BODFISH. Yes; I think it is more municipal legislation than it is State legislation. Our amendment covering this is as follows:

SEC. 9 (f) Any county, city, or public housing agency, prior to receiving loans grants, annual contributions, or credit assistance from the authority and at such dates as are fixed by said authority, shall cause an inspection to be made to ascertain the complete facts regarding slums, blighted areas, and unsafe or overcrowded housing. Such report to the authority shall be available for public inspection and no grants, loans, or credit assistance shall be made to any county, city, or public housing agency in the absence of such facts. The authority shall not authorize loans, grants or credit assistance to any county, city, or public housing agency unless there exist in the areas under the jurisdiction of the county, city, or public housing agency reasonable city planning and zoning laws, also prohibitions against the renting of insanitary or overcrowded dwellings and provisions for the demolition of unsafe structures, all adequately administered. Further, the authority shall not authorize loans, grants, or credit assistance unless there shall be provided orderly and systematic arrangements for the future control and operation of any housing constructed, by a representative and nonpartisan body organized in such a manner as to accomplish the fullest measure of local public trusteeship.

the point of application as I see it is the city or county which has a housing authority which comes to the Federal Government and says, "We want a loan of so much, and a grant of so much, and an annual contribution of so much", and the folks down here will say, "Fine. We would like to help you. What are the facts about housing in your town? What are the conditions of your slums? What is the overcrowding situation? What are you doing in connection with demolition of unsafe structures? Have you adequate ordinances and a real health-inspection service in your city? If you come down here for help, if we help you build, you are going to have to dovetail in and help take some of the stuff out of existence that represents bad, insanitary, dangerous housing."

Mr. TRANSUE. I see.

Mr. WILLIAMS. You think that there should be a capital grant and an annual contribution, that those provisions should both remain in this bill?

Mr. BODFISH. Mr. Chairman, I think if it were an ideal bill, probably the annual contribution would be the wiser thing. I think some of the best students of public housing would share that opinion. There is, however, great difference of opinion as to whether it should be a capital grant matter, so that the subsidy will put into the construction things necessary in the beginning or whether it will be an annual contribution merely to lower the rents, or whether it will be a combination of the two.

Mr. WILLIAMS. Of course, if the capital-grant provision is put into operation that means the local housing authorities of the political unit would have to make a contribution also.

Mr. BODFISH. That is desirable.

Mr. WILLIAMS. In other words, you would not expect the Government to contribute outright, an entire outright grant to build the projects?

Mr. BODFISH. That is right.

Mr. WILLIAMS. And, there is not any limitation placed in this bill, is there?

Mr. BODFISH. No. I think theoretically, possibly, it is possible under this bill for a capital grant to be made and then a sufficient annual contribution made available to pay the interest on the loan that has also been made.

Mr. WILLIAMS. Loan the money and then pay the interest on it? That is what the Government is to do?

Mr. BODFISH. And give an annual contribution sufficient to pay the interest on the loan.

Mr. WILLIAMS. Not only make the loan, but make grants to pay the interest.

Mr. BODFISH. That is possible.

Mr. WILLIAMS. Put up the structures, pay the entire cost of acquisition and development of the structures, and then also in addition to that make an annual contribution sufficient to subsidize it?

Mr. BODFISH. Pay the interest on the loan.

Mr. MCGRANERY. Is England making annual contributions?

Mr. BODFISH. Yes.

Mr. MCGRANERY. That amounts to $200,000,000 a year.

Mr. BODFISH. I did not think it is quite that much per year.

Mr. MCGRANERY. Mr. Morrison, who testified before the Senate committee, said that that was done by Parliament or the London County Council.

Mr. BODFISH. He probably said that it was the London County Council which spent $200,000,000 on housing.

Mr. MCGRANERY. He said on direct administration we are spending about $200,000,000 a year.

Mr. BODFISH. I do not know. I have met Mr. Morrison. He is a member and chairman of the London County Council, and they have over 60,000 family units they rent. I have been to their projects. They are very well constructed, modest in their appointments. I thought that the total demands upon the exchequer for annual contributions was about $70,000,000 a year.

Mr. MCGRANERY. Seventy-five thousand, I believe he said.

Mr. BODFISH. It would run into millions. Of course, I am not so worried about that combination grant and annual contribution proposition, Mr. Williams, if you wrote into the bill the Senate provision that there must be some local participation. Certainly the Federal authority down here will try to make its funds go as far as it can. It will not make a loan and give enough contribution to pay interest on the loan, I would not think. But it is theoretically possible.

Mr. REILLY. If we keep on building houses at the rate suggested, we will have to make contributions.

Mr. BODFISH. That is true. And if building prices keep rising it is going to further complicate the proposition.

Mr. HANCOCK. Mr. Bodfish, I know most of the work that has been undertaken by the Housing Division of the Public Works Administration has been experimental and does not constitute a fair test of the efficiency or ability of that organization.

Mr. BODFISH. That is true.

Mr. HANCOCK. But how do the houses, the quarters, which have been built by them, compare in appointments and advantages with the appointments and advantages of the average homeowner in America?

Mr. BODFISH. Well, certainly they are as good, if not better. Certainly as good, if not better.

Mr. HANCOCK. What percentage of the private dwellings have the advantages and facilities in them that you find in these Federal projects?

Mr. BODFISH. I do not know. It would just be a guess. I would think not more than half. I do not know.

I think this, the only fair criticism that can be leveled at the Housing Division projects is that maybe they have been a little too permanent and expensive and had too many fine appointments.

Mr. HANCOCK. Then they were faced with the problem of putting people to work as quickly as possible?

Mr. BODFISH. That is right. I think that they will all agree with you down there that they want to build them simpler and more moderately in the future.

Mr. HANCOCK. And a permanent housing program should not have that as a primary object, is that right?

Mr. BODFISH. That is right.

Mr. HANCOCK. But must be more modest and simple, as you said, than they were in the beginning if the money is to go as far as it ought to go.

Mr. BODFISH. That is right.

Mr. WILLIAMS. Have you had occasion to examine any subsistence homesteads?

Mr. BODFISH. I have been to Greenbelt.

Mr. WILLIAMS. That is not what I mean. That is Tugwelltown. I am talking about the resettlement projects, rural projects.

Mr. BODFISH. No; I have not.

Mr. WILLIAMS. Farms; subsistence homesteads.

Mr. BODFISH. No; I have not.

Mr. WILLIAMS. Like the Cumberland subsistence project and others throughout the country.

Mr. BODFISH. No; I have not.

Gentlemen, I would like to call your attention hastily to two or three amendments. I do not want to tire the committee. At the top of page 5 is a proposed amendment which may not be important, but I think it is worth including as a statement of policy if you are going to deal with the lowest group. It merely suggests but does not

require, that the annual contribution that the Federal Government makes may be used at the discretion of the local authorities and may be apportioned to provide differential rents or rebates based on the needs and ability to pay of tenant families, to insure that a sufficient proportion of new houses are available at rents which displaced families can afford. And it also suggests that some of the rent relief may be administered by the authority and public housing authorities in collaboration with Federal, State, and local relief authorities in areas where an approved program for safe and sanitary housing for the underprivileged is established.

SEC. 9 (h). Annual contributions may be utilized at the discretion of the public housing authorities and may be apportioned to provide differential rents or rebates based on the needs and ability to pay of tenant families, to insure that a sufficient proportion of new houses are available at rents which displaced families can afford. Rent relief may be administered by the authority and public housing authorities in collaboration with Federal, State, and local relief authorities in areas where an approved program for safe and sanitary housing for the underprivileged is established.

Now, as to section 11: We suggest the elimination of the demonstration projects, which has been done in the Senate bill.

At the top of page 6 there is a proposed amendment that I am not sure all of the public housing people would agree with, but it seems to me that there are situations, circumstances, and standards provided and a lot of things that they shall keep in mind in making these grants and planning these projects, and I just wondered, and we suggest, that they might keep in mind that there is a possibility in so planning that some day they might be owned either by limited dividend corporations in the community or cooperatively owned.

I hate to see legislation that suggests that forever and a day any government, local or national, is going to own apartment properties to rent to its citizens. I think it is proper to do it. I am for the bill, but I would like to see it planned that when we build an eight-family structure, for instance, maybe some day they can organize a little non-profit corporation and the eight families living in there can conduct that thing, own the land, and not have permanent Government ownership. This should come after the end of the subsidy and rents should be restricted, of course.

Mr. HANCOCK. That would be to keep the Government from becoming a perpetual landlord.

Mr. BODFISH. That is right. I hate to see this legislation admit that as a permanent policy the Government should build, own, and rent. I think we ought to do public housing, but the ideal thing would be not to have it as a permanent part of our system. Our amendment is as follows:

SEC. 14. "(8) That there is a possibility that at some future time the project may be owned and operated privately by a local limited-dividend corporation or owned and operated cooperatively by the occupants."

Section 20 is a complicated financial provision which Congressman Hancock has given considerable study to, as appears in his bill. I might summarize its implications, and you may want to consider it.

In the British Housing Act of 1933 financial provisions, they made a set-up whereby financial institutions could make loans to these local authorities rather than using Government money and the financial institution, the Federal Government, and the local

authority agreed to share the losses equally. In other words, if the thing turned out all right and the loan was paid back everybody was happy. Let us say, if there was a 90-percent loan and 10-percent losses on the thing, then let the private capital that furnished the money take a third of the loss, the municipal housing authority that sponsored the project take a third, and the Government take a third.

Mr. MCGRANERY. Who shared the profits?

Mr. BODFISH. Well, there are no profits in public housing.

Mr. MCKEOGH. Why would private capital be interested, then?

Mr. BODFISH. I think that they would be interested in furnishing mortgage loans.

Mr. MCGRANERY. Just to keep their offices running?

Mr. BODFISH. Just to keep their capital employed.

Mr. TRANSUE. What was the interest rate?

Mr. BODFISH. Well, at whatever interest rate they worked out local authority and approved by the Federal authority in connection with the deal.

Mr. TRANSUE. Then there would be a profit to them on that basis.

Mr. BODFISH. Well, gentlemen, what is the difference whether the Metropolitan Life furnishes some money for Mr. LaGuardia's projects directly or whether it buys Government bonds and then you send the money back up to New York? I would think that it would be more desirable if possible—and I do not suggest this in substitution of any of the financial arrangements here—for the local banks and local insurance companies, if possible, to have a way of working out the financial arrangements in the city concerned, in which the risks are shared. Interest is paid for capital, be it local and direct, or to the Federal Government, which sells more bonds at interest.

Mr. TRANSUE. If a private institution puts money into it, they have got to get some interest.

Mr. BODFISH. They have got to get interest; yes.

The way it is drawn, if an authority approves a rate and the banks approve it, it may be done. We are not suggesting putting this into the law in lieu of any financial provision of the bill; but merely suggesting it be included as a way in which we might use private capital and thus lessen the demands on the Federal Treasury.

Mr. REILLY. Mr. Bodfish, what rate of interest would you pay private capital?

Mr. BODFISH. Well, the Metropolitan, and the Northwestern Mutual out in my town are making a lot of loans at 4 percent.

Mr. REILLY. Then the Government would have to pay a higher rate of interest on the loans and would actually have to pay that.

Now, the only way that you can get private capital interested in these projects is to get them to buy bonds that the Government guarantees. That is the only way you can get the money. When a project is set up these bonds are guaranteed by the Government and private capital may buy them. Otherwise you will not get any private capital interested, unless the Government pays up the difference, makes up the difference in interest.

Mr. BODFISH. Well, that is possibly so although there is less risk to the Government if it shoulders one-third of the loss, rather than guaranteeing the entire loss by guaranteeing the bonds.

Mr. McGRANARY. Could it not be done by the issuance of Treasury notes? Do you not think that this could be accomplished in a more economical manner?

Mr. BODFISH. I think that there is no question but what the Government can borrow money cheaper than any private institution, be it mutual or profit-making. There is no question about that.

Mr. McGRANERY. There is no real, net, private capital coming into that picture at all.

Mr. BODFISH. I would not agree with that, because we are making some pretty substantial demands on the Federal Treasury at the present time. Our indebtedness is away up and I think it would be highly desirable if some or many of these projects could be financed by local capital in a way that was satisfactory to the local authorities and to the people administering the law here in Washington.

Mr. McGRANERY. Where would there be any benefits, by financing it with private capital?

Mr. BODFISH. The benefit to the project is involved in the fact that a high-percentage loan is made accessible to the Federal authority here and the authority in the community and could be obtained from insurance companies or savings banks, or some of our larger institutions. It would mean just $1,000,000 less Federal public debt out of each million otherwise loaned or guaranteed to housing projects.

Mr. McKEOUGH. What rate of interest would you make?

Mr. BODFISH. The amendment provides a rate of interest that would be satisfactory to the local and Federal authorities. All of those questions can be worked out and arrangements made satisfactory to the authorities, local and Federal, otherwise Treasury money or guarantees would be used.

Mr. McKEOUGH. Do you think that it is a practical thing and a possible thing to do?

Mr. BODFISH. I am not sure that it will be strictly or broadly workable, but I know that it is practical, because it is working to a certain extent in Great Britain right today. This language is taken essentially from the 1933 British Housing Act. Our building societies over there have colossal funds and they have loaned substantial amounts to local housing authorities, not as much as we hoped or anticipated, right on this scheme here exactly. It is not the all-important thing, but is just a constructive suggestion to add to the present financial provision.

It is proposed to add to the present section 20, a new and additional subsection (f), as follows:

(f) The authority is authorized to guarantee principal and interest on mortgage loans which finance low-rent housing for families of low income. This guaranty shall be conditioned upon lending institutions extending credits at rates and for terms of years approved by the administrator. Such guaranties may be granted on loans not exceeding 90 per centum of the valuation, in lieu of the limited 50 per centum advances which might be made apart from this special guaranty. The liability of the authority is limited to one-third of any excess advance over 50 per centum. The valuation on which the percentage is based must be satisfactory to all interests concerned, and the county, city, or public housing agency (not the mortgagor) shall also assume one-third of the risk. If the authority has agreed to guarantee repayment to a financial institution of the additional sum in excess of 50 per centum valuation and if the mortgagor shall at any time make default in payment in accordance with the terms of the mortgage, and the financial institution, after duly exercising all or any of the powers vested in it as mortgagee for recovering the principal and interest secured thereby, shall have failed to recover the full amount of such principal and interest, then the authority shall, within one month after demand duly made, pay to the financial institution a sum equal to two-thirds of the difference between the actual deficiency which has arisen and the deficiency that would have arisen if the principal sum secured by the mortgage had been 50 per centum of the original valuation. The agreement between the authority and the county, city, or public housing agency (not the mortgagor) shall provide for the reimbursement of the authority to the extent of one-half of its loss under the guaranty. The Administrator may purchase the property or assume the obligations as provided in section 4 (g). Any sum payable by way of reimbursement on the guaranty shall be paid out of the funds of the authority, or the guaranty when originally approved by the Secretary of the Treasury shall be paid out of public funds with money hereby authorized to be appropriated for such purpose out of any money in the Treasury not otherwise appropriated. Reasonable efforts shall be made to finance each housing project under this subsection before the authority issues obligations which are fully and unconditionally guaranteed by the United States as to principal and interest, as provided in previous subsections.

Mr. TRANSUE. Who did you say was loaning the money?

Mr. BODFISH. The building societies.

Mr. TRANSUE. In England?

Mr. BODFISH. That is right. Our institutions there have large amounts, as you know. There are not many units. The largest one has a modest statement or assets of £102,000,000. That is the Halifax Building Society. That is the largest. That is over a half a billion dollars in one building society. The next one has about $200,000,000.

They have made loans to local authorities on the basis of 90 percent of their value for public housing projects.

Mr. WILLIAMS. What is the rate over there?

Mr. BODFISH. I think that these loans are being made, if I recall correctly, at 4 percent or 4½ percent.

Mr. WILLIAMS. How does that compare with the public loans?

Mr. BODFISH. The public borrowing on small-unit loans—their loans on houses or homes in Great Britain are at 4½ and 5 percent.

Mr. WILLIAMS. I mean on the Government loans.

Mr. BODFISH. I think that the Government loans in the main are, I think, at 3½ percent. I am not sure. They have varied with changing conditions since the World War.

Mr. WOLCOTT. Mr. Bodfish, the English loans are made at one-half of 1 percent in excess of the rate which the Government has to pay for their loans.

Mr. BODFISH. That is right.

Mr. WOLCOTT. And the way the Senate amendment reads these loans are to be made at one-half of 1 percent higher than the Government has to pay for its money, based on present rates of interest.

Mr. BODFISH. That is right. I do not think that this provision should be considered in the place of anything that is in the bill. I do think that we ought to hope some day that Chicago and our other cities would be able within themselves to finance their housing and do it, rather than merely continually having much of our bank assets in Government securities and then have housing authorities coming down here and borrowing the money.

Mr. McKEOUGH. You think that that is practicable?

Mr. BODFISH. I think it is possible, and I will be frank about it. I think it is worth a try, however. It will never work out unless we provide a means and try to do it.

The last thing is on page 8, advisory committees. We would like to see that very much in this bill. And it provides that the committees are to be appointed by the Housing Authority here, and I think will have a good effect in coordination with the private construction interests.

The following new section is therefore proposed:

Proposed new section: This section might properly be numbered section 22, thus preceding the section of the bill dealing with "Penalties" and similar sections, which would necessitate renumbering the present sections 22 through 29.

SEC. 22. There is hereby created a national housing advisory committee, which shall consist of twelve members, to be appointed by the authority, having due regard to a representation of public housing, mortgage credit, labor, and construction interests upon such advisory council. All members of the committee shall serve without compensation, but shall be entitled to reimbursement from the authority for traveling expenses incurred in attendance at meetings of such committee. The committee shall meet at Washington at least twice a year and oftener if requested by the authority. The committee may select its own chairman, vice chairman, and secretary, and adopt methods of procedure and shall have power:

(1) To confer with the authority and other public officials on any matter which may be referred by the authority to the committee, dealing with the housing question, public or private, and any matters arising in connection with the execution of laws relating to housing.

(2) To request information and to make recommendations with respect to matters within the jurisdiction of the authority and also to consider the operation of enactments relating to housing and make to the authority such recommendations with respect to these matters as the committee thinks desirable. The recommendations here directed shall be printed as a part of the annual reports to Congress of the authority.

Unless there are more questions, that is all I have, Mr. Chairman.

Mr. REILLY. What do you think about making this a part of the Interior Department? I mean, a division, without any authority, except in one man, the Secretary of the Interior.

Mr. BODFISH. I will be very frank. If I were doing it, with $700,000,000 to be loaned and about $2,000,000,000 in grants, I would set up a board of three or four men subject to appointment by the President and confirmation in the Senate, and make them responsible.

The CHAIRMAN. Your answer to that question is on the assumption that we are to stop at the end of 3 years. You do not contemplate that this is going on and that this will become a part of the permanent policy?

Mr. BODFISH. This is going to continue and become a part of the permanent policy, the same as we have public health and the like.

The CHAIRMAN. Then it would not be just $700,000,000.

Mr. BODFISH. That is right.

Mr. MCGRANERY. Mr. Bodfish, you are going to include as a part of your statement a conclusion by your association or a resolution.

Mr. BODFISH. Yes.

Mr. MCGRANERY. What is the conclusion you have on this?

Mr. BODFISH. That is contained in a resolution. It is merely to the effect that we believe in the reclamation of slum and blighted areas and public housing for the lowest 20 percent; that it should be

the responsibility of the local government with financial assistance and guidance and supervision from the Federal Government.

Mr. TRANSUE. That lowest-income group you mention, is 20 percent. Where do you think that we ought to start, at the bottom?

Mr. BODFISH. That 20 percent is at the bottom.

M. TRANSUE. That is what I want to know. Would you take the fellow who has not got anything first and give him a place to live, or would you start with the fellow who has got something and give him a place?

Mr. BODFISH. I think that will be entirely in the hands of this Federal Authority.

Mr. TRANSUE. You have an opinion about it.

Mr. BODFISH. I think that naturally they will take the folks who have some income and are closer to the top of the 20 percent. Naturally they will want to make as good a showing as possible.

Mr. HANCOCK. Where do you think that we ought to start, not where we will stop?

Mr. BODFISH. I think that we ought to start clear at the bottom; but that would not be very practicable.

I might say, Mr. Chairman and gentlemen, that I have enjoyed appearing before the committee. Along about January 4 next, I will be down here with a bill dealing with our institutions, I hope.

The CHAIRMAN. We will be glad to see you. We thank you very much for your statement.

Mr. BODFISH. Thank you. I will furnish for the record "Report of the Public Housing Committee of the United States Building and Loan League, October 16, 1936", and the resolution, which you gave permission to be inserted in the record at the end of my statement.

The CHAIRMAN. Very well.

(The matter referred to is as follows:)

REPORT OF PUBLIC HOUSING COMMITTEE

PART I

Preliminary statement

In the last 3 years employment and emergency legislation, making large sums available for public purposes, has brought the suggestion of public housing to the front and possibly has made public housing a permanent part of our American public policy. Projects, subsidized and financed by the Federal Government, have been initiated in dozens of cities. The whole effort has been done with the best of intentions, but without the careful study or information or even the formulation of basic principles necessary to develop a thoughtful public-housing program.

European experience, and also much opinion in the United States, indicates that one of the important depression remedies is a residential construction program. It is felt that the revival or forced stimulation of construction can do much to create employment and businessmen have supported this point of view, assuming, as a rule, that the construction would be carried on by private enterprise through local contracting firms and the like, rather than by direct Government building, with all its costs, delays, and problems. This is one of the compelling arguments which forces thoughtful consideration of public housing, as real wealth is created. However, with full facts and a careful program this should be accomplished without involving us in the policy of permanently subsidizing a group of citizens through public housing.

The estimates of the needs of the American public for new housing are amusing, if not amazing. Every person and organization seems to have figures largely to fit their own desires. Estimates range as high as 1,300,000 units per year, down to 400,000 units per year for the coming 10 years. A lot of this

is wishful thinking and is based upon gross population figures for the country, which include farm areas and whole groups of the population who either cannot or will not in any way figure in a realistic, careful estimate of the housing needs of the decade ahead.

It is the judgment of our committee that approximately 400,000 units, including multi-family and rehabilitation units, is about the limit if we are to avoid boom conditions and the resulting real-estate deflation and retrenchment. Private enterprise, if rents, costs, and other conditions are reasonably favorable, will produce these units and a public-housing program is not necessary for employment in this field. The question of public housing should be rigorously separated from emergency or recovery problems.

Impartial observers will all agree that no understood or acceptable housing program has as yet been developed by the Federal Government and few local governments have done the fact-finding and planning and arranging necessary to proceed. As a part of emergency measures, the Federal Government has been engaged in some mighty expensive experiments, all of which should be studied with all the dollars and cents revealed before additional projects are planned or money is spent. The essence of the philosophy of public-housing advocates seems to be that any amount of money and any amount of subsidy, whether in the form of interest rates, loan terms, direct grants, tax exemptions, subsidy rents or whatever form it takes, should be raised from one group of the population in order to be spent for housing for another group of the population, providing public housing of a standard and quality which surpasses that which is owned and occupied by the great majority of citizens and taxpayers who pay the bills.

Many will debate the question of public responsibility for the provision of new dwelling accommodations for any class of our American citizens. This discussion cannot be ended by logic or declamation. The fact remains that groups representing large numbers of American citizens have become interested in public housing and are convinced that it is an appropriate and necessary part of our Government activities. Labor unions, headed by the powerful American Federation of Labor, religious groups, civic and municipal bodies have taken vigorous and public positions on behalf of public housing and have placed before the Federal legislative bodies innumerable petitions, resolutions, and communications evidencing support. When labor, civic, and social groups, including some business groups, urge public housing, it becomes a reality which must be dealt with thoughtfully and carefully.

The arguments "pro"

The arguments on which these large groups base their interest and on which the Senate of the United States passed the Wagner bill (S. 4424, 74th Cong.), run something as follows:

1. A large percentage of American families do not have and cannot afford appropriate living accommodations—estimates of the number range anywhere from 10 to 20 to 40 percent of the urban population.

2. Many of the structures now occupied at low rentals should be demolished in the interest of good health and good citizenship. The advocate here concludes that the remedy for these conditions, which everyone will admit exist, is for some government, preferably the Federal Government, due to its abundant funds, to buy land and build housing and rent it to its citizens.

3. There is a resistance to the idea on the part of civic and social groups that second-hand or "hand-me-down" habitations are appropriate or sufficient for the underprivileged or low-income groups in our society.

4. Low incomes eliminate any choice on the part of a substantial group of citizens as to the home conditions in which they are to live and raise their families. It is argued that it is the function of government to right these conditions, and, again, the remedy most frequently proposed is that the Government build and rent housing subsidized from public funds.

5. Much is made of the need for "slum clearance." "Slum clearance" is possible and is needed in relatively few cities in the United States. It is but a segment of the broad economic problem of blighted districts. The problem of clearing slum areas and also dealing with blighted districts should not be confused with the broader problem of seeing that all families of low income have sanitary dwellings without overcrowding. If the large social problem of housing families and individuals is to be successfully attacked, private enterprise must have a real part and be protected by definite, restrictive, and noncompetitive policies in public housing.

These points of view and the substantial number of persons who hold them make public housing an issue that cannot be treated by default or ignored by persons and organizations interested in the development of better housing standards and also in the protection of existing values and the maintenance of the ideal of home ownership.

The Seventy-fifth Congress

Public-housing legislation in some form will be passed by the coming Congress. The platform adopted by one of our major political parties endorses the policy and promises a continuation of public-housing activities by the Federal Government. The interested groups which, in the main, have produced the bulk of the housing for the country for all classes, including the financing and building and purchase, have been quite inactive in regard to this whole development. It is the judgment of the public housing committee that the trustee institutions, as a group, and our savings, building and loan associations, and cooperative banks should review the experience and needs of their communities and see that the question of public housing is discussed on the basis of facts as to actual costs, return involved, needs served, etc.

Again, as a general proposition, most present property owners, most builders, and most home-financing groups doubt the wisdom or necessity of public housing. However, the facts are that great groups are interested, and that such housing is now a reality in 40 or 50 cities in the United States. It is the policy of this committee to suggest a moderate point of view which will permit some experimentation in public housing and still not commit us permanently to a national policy of subsidized housing.

In the first place, we take the position that it is not the concern of our national organizatiodn to indicate a policy which should be followed by a city or a county or a State in matters of public housing. This is for the citizenship and the interested parties representing business, civic, and social groups in those units to determine. It is the province of this committee to state the views of the thrift and home-financing institutions represented in this organization with regard to the participation of the Federal Government in such activity.

Some general principles

It is the considered judgment of the committee that;

1. While it may be necessary in emergencies for governments to provide relief in the form of shelter to some portion of the people, the provision of houses or apartments for any part of our citizenship is not within the proper permanent activities of the Federal Government.

2. The whole question of public housing should be separated from the unemployment problem.

3. There must be a better understanding of the responsibilities and possibilities of the various governmental units, if our experiments with public housing are to succeed. It is the judgment of this committee that the initiation, development, and control of all public housing should be a matter for local government and not for the State or Federal Governments. The role of Federal and State Governments should be that of leadership and planning, with possibly very modest assistance in financing. Local bodies, supported by local public opinion, should initiate projects and share the expense. They should further be required to adopt and enforce reasonable ordinances preventing overcrowding, prohibiting the renting of insanitary housing and providing for the demolition of unsafe or insanitary structures.

4. There is no justification for taking public funds, derived from taxation of all the people, to assist in the housing of any of the people except those of unfortunate circumstances and limited income. The citizens in every part of this country should not be taxed to subsidize the building of houses and the clearing of slums in cities like New York and Chicago, which should deal with their own problems without assistance from the rest of the country. Unless a clear-cut policy of this kind is established, there will be endless conflict between private enterprise and public housing activities, with public housing continuously intruding into fields which can best be served by private enterprise. As the committee for economic recovery has ably pointed out:

"Public housing should provide accommodations only for those families who cannot pay sufficient rent to obtain decent shelter from private enterprise. Under no circumstances should public subsidy be permitted to create housing

for rent or sale for any income group which can be served by private enterprise. Public housing must supplement and not compete with private enterprise."

5. American housing conditions, considering the entire country and population, are far better than those which exist in England or on continental Europe. Generally speaking, we have better housing conditions than exist anywhere else in the world. Therefore, there is some question as to the necessity of relieving municipalities of their responsibilities on the housing question and establishing a permanent policy of Federal Government participation.

6. For those families which cannot pay an economic rent we recommend that the Government extend rent relief or rent assistance, rather than to follow the course of building and permanently renting to a group of citizens public accommodations. Rent relief can be reasonably administered, with the assistance confined to those who deserve it and it is possible to discontinue this form of public assistance, as it avoids permanent Government buying, building, and renting of extensive amounts of real property.

7. The role of the Federal Government should be confined to education, research, rent relief, where necessary, administered through local or community authorities, and a modest assistance in financing, not by subsidy, but by insuring a modest return and a safe investment to private capital employed in financing public housing.

8. It is an open question whether public owning and renting activities come within the lawful powers granted to our Federal Government and therefore a program which has been embarked upon under the impulse of emergency and which involves vast Government spending should not be expanded until the courts have finally dealt with the matter.

9. The time for retrenchment in both the scope and cost of the activities of the Federal Government has come and, on the basis of the actual projects thus far undertaken, their costs and character, it would seem that Federal housing would be a wise place to start this retrenchment.

Within these policies it would be necessary for local governments or communities to initiate projects, to plan them, and to take the ultimate financial and management responsibility, with only supplementary or incidental assistance from State and Federal Governments. Such a broad general policy will avoid the wasteful use of public funds and will give private enterprise a fair field in which to continue to furnish housing. The present zeal with which professional "public housers" are requesting colossal grants from the Federal Treasury could be directed along lines of obtaining proper local support for their proposals, the enacting and enforcing of sanitary ordinances preventing the renting of insanitary quarters, demolition activities, and other activities, the results of which are probably more basic, informative, and practical than a dramatic building and renting of apartment houses and individual homes by the Federal Government under conditions of flagrant subsidy.

The committee on public housing admits a field in which moderate experimentation with complete local control and responsibility is desirable. It thoroughly disapproves the present 45-percent capital subsidy and 55-percent loan type of project, which the Public Works Administration has undertaken, and a thorough study of the whole question by impartial representatives of the Congress and the private interests is strongly recommended.[1]

A midwestern editor, discussing low-cost housing following a conference of the National Association of Housing Officials, made the following comments, which summarize very aptly the position of your committee on the present situation:

"That in spite of all the conversation and millions spent, practically nothing has been accomplished. That the nature of the Federal Government prevents it from building economically, an essential of low-cost housing. That many of the structures being erected by the Government will not be completed within the estimated cost. That they will not be low-rent projects unless taxpayers give them further financial assistance. That the "housers" are of the opinion that some form of rent subsidy is essential if the lowest income groups are to have adequate housing, some advocating 100 percent subsidy. That housing and city planning cannot be separated. That the best immediate slum clearance and housing solution would be the exercise of municipal police power to force property owners to keep their buildings up to a minimum standard or demolish them. That decentralization of housing effort is essential. That this should be carried further than the "housers" think; that is, to the neighborhoods and the property owners."

[1] The committee endorses H. R. 466, 74th Cong., introduced by Congressman Frank Hancock, providing for a select Congressional committee which would carefully survey the whole question. Much of the English effectiveness in the whole field of housing has grown out of the careful studies they have made of the whole question, which are embodied in special Government reports. Congressman Hancock's resolution appears as Addendum B.

Rent relief versus Government renting

Thoughtful opinion is moving more and more toward the notion that public housing advocates are in error when they insist that the only solution for the housing problem is for Government to build, own, and rent houses or apartments. Assisting the unfortunate and the underprivileged is a matter to be dealt with more in terms of individuals and family units. In the field of housing this brings one clearly to the proposal to give rent relief to those families which merit assistance, thus permitting them to buy proper accommodations, produced, owned, and operated by private enterprise, rather than to become Government tenants in Government property, with all its social and political implications. It is apparently impossible for public administrators of housing projects to start and serve those persons in a community with the largest families and the most uncertain capacity to pay rent. It is the English experience and it is perfectly human that the manager of a project, in choosing tenants, as between a family of three who will certainly pay their rent and a family of 11 who probably will not pay their rent, will naturally, in all probability, see that the former is housed in the public project.

The psychology and impulses are entirely different if rent relief is being proposed for the two families. Frankly, local rent relief does not satisfy many public-housing advocates, but more and more study of the problem convinces us that that is the preferable procedure if we look to a day when government will retire completely from public assistance in housing.

The point of view of American business

One of the most significant studies of the question of housing and residential construction was the report of the special committee on housing of the United States Chamber of Commerce. This committee included some of the ablest men in the country from the life insurance, mortgage business, building and loan, city planning, and other fields.[2]

The building and loan point of view was represented on the committee by past president I. Friedlander. The report is in the hands of every member association of the United States League and, of course, has been endorsed formally by the United States Chamber of Commerce and to date is the program of American business regarding the housing question.

Recommendation no. 8 of the committee deals with the subject with which our committee on public housing is charged. The recommendation and its supporting arguments are quoted in full:

[2] Special Committee on Housing, United States Chamber of Commerce.
Samuel F. Clabaugh, chairman; president, Protective Life Insurance Co., Birmingham, Ala.
Harland Bartholomew, Harland Bartholomew & Associates, St. Louis, Mo., city planning consultant; engineer, St. Louis City Planning Commission.
M. J. Cleary, president, Northwestern Mutual Life Insurance Co., Milwaukee, Wis.
Robert L. Davison, director of housing research, John B. Pierce Foundation, New York, N. Y.
I. Friedlander, president, Gibraltar Savings and Building Association, Houston, Tex.; recently president, United States Building and Loan League.
Henry I. Harriman, chairman of board, New England Power Association, Boston, Mass.
Charles F. Lewis, director, Buhl Foundation, Pittsburgh, Pa.
L. A. McLean, president, Southern Trust Co., Louisville, Ky.; president, Mortgage Bankers Association of America.
E. O. Shreve, vice president, General Electric Co., Schenectady, N. Y.; vice president, National Electrical Manufacturers Association.
I. N. Tate, vice president and secretary, Weyerhauser Sales Co., St. Paul, Minn.
John C. Taylor, vice president, J. C. Nichols Investment Co., Kansas City, Mo.; recently chairman, Land Developers & Home Builders Division, National Association of Real Estate Boards.
Ross F. Tucker, professor in charge, course in building construction, department of civil and sanitary engineering, Massachusetts Institute of Technology, Boston, Mass.
Stephen F. Voorhees, Voorhees, Gmelin & Walker, New York, N. Y.; president, American Institute of Architects.
John H. Zink, The Heat & Power Corporation, Baltimore, Md.; general secretary, Construction League of the United States; vice president, Heating, Piping & Air Conditioning Contractors National Association.

Housing facilities for lowest-income groups

"8. Construction, ownership, and operation of housing facilities for the lowest-income group, unable to pay an economic rent, should be by private enterprise. Assistance to such families should be in the form of rental subsidy—that is, financial aid by local relief agencies to individual families, enabling them to provide shelter—just as financial aid is given to buy food and clothing. The conception of government as landlord and its citizens as tenants is inconsistent with American tradition, policy, and ideals.

"Must confusion in consideration of the housing problem arises from the false assumption that the lowest-income groups can be housed only in new housing, with the result that in many minds slum clearance and the building of government-subsidized new dwellings for the lowest-income groups seem to be inseparable. In reality there is no essential relationship between these two proposals. Slum clearance is one thing and the building of new housing is quite distinct and independent of it. In many cases slum areas once cleared should not be again built upon for the housing of low-income groups.

"It is more reasonable to regard the proper relationship of the Government to housing substantially that which has been developed in their attitude toward the control of motor traffic. Automobiles are provided by private industry for people who can afford to buy them. The used cars are, in turn, passed on frequently through several ownerships to persons who can afford to buy used automobiles. The governments exercise two functions: First, they enforce certain standards of use; second, increasingly they enforce the retirement from use of unfit automobiles.

"This relationship is generally recognized as sound between governments and people with respect to motor cars. It is even more applicable to governmental policy with respect to such a long-term commodity as dwellings. It will avoid the socially and politically undesirable outcome of a course of action which would make the Government a permanent landlord for large groups of its own citizens.

"Local governments may be properly encouraged to undertake to clear slum areas. Certainly they should provide adequate legislation and adequate enforcement to compel the razing of insanitary and unsafe dwellings or even of whole areas where housing is predominantly insanitary and unsafe. Such a program at this time would do much to stimulate the building by private industry of new communities not for slum dwellers but for persons in income groups who can afford to rent present-day low-cost housing. Into the acceptable, second-hand housing vacated by such persons the dwellers in present unsafe dwellings would move."

Rental assistance where needed

"The objection that the destitute and unemployed cannot afford this left-over housing is not a valid one because it is the duty of government to find adequate shelter for its unfortunate citizens. The most effective way to do this is through direct assistance to the family's rent. The approach here suggested to the problem of the slum and of the poorest families puts a premium not on dependency, but on self-dependency. It recognizes frankly that age-old wrongs cannot be wisely or lastingly corrected overnight. It is a program, however, which can be realized through properly organized community programs, concerning which more was said in a previous section of this report.

"America has been struggling for 150 years to get ownership of land into the hands of its citizens. More than 50 percent of the people of the United States own land. In no other country is there such a large percentage of landowners, or so high an average standard of homebuilding."

With these facts before us, it is felt that no additional Federal projects should be initiated until more facts are available and, further, that everyone be urged to make a realistic study of the best ways to maintain the American standard of housing and improve it.

Impractical and costly Government operations

Public officials have been wholesale and somewhat irresponsible in their condemnation of housing progress to date in the United States. The sweeping generalizations of some public officials and others in this connection are not supported by the facts. As New York City supposedly dramatizes the slum-clearance and housing issue and as the leading sponsors of public housing

come from that area, it seems appropriate to place before the committee an editorial from the New York Times, a fairly impartial, but nevertheless pro-administration newspaper. It deals squarely and forcefully with the position and progress of American housing, in contrast with the position taken by the public-housing advocates. It appears as addendum C.

PART II

The discussion of public housing in the next Congress will center around the so-called Wagner housing bill, which Senator Wagner has already announced he will reintroduce. This legislation passed the Senate in the last session and had time permitted would probably have been favorably considered by the House of Representatives. An analysis of the legislation was prepared by the staff of the United States Building and Loan League and made available to all member associations. It was also studied by some of the other private trustee institutions. The analysis briefs the subject matter of the Wagner bill and, in conclusion, raises some questions about its policies. (This analysis appears as addendum D.)

The bill as it passed the Senate was amended in some particulars. In summary, the principal amendments are as follows:

1. To reduce the number of members of the Federal Housing Authority, created by the bill, from five to three and limiting their terms to 3 years.
2. To more sharply define "families of low income" by reducing maximum of aggregate income of tenants of "low-cost housing" from six times the rental to five times.
3. To restrict somewhat the proposed "demonstration projects" authorized by the bill.

This committee recommends that the representatives of the United States Building and Loan League present the views of our thrift and home-financing institutions in the further consideration of this legislation in the Seventy-fifth Congress. This committee suggests that if time permits, committees from Congress or representatives of such committees hold hearings in a number of the cities where there are housing projects either completed or under way, with a view to ascertaining first-hand information as to projects and the politics which they suggest. In support of the general position of the Committee on Public Housing, we recommend that the following amendments be included in the bill if it is the disposition of the Seventy-fifth Congress to enact public-housing legislation:

Section 1[8]

A rewriting of section 1, findings and policy, is suggested as facts do not bear out its broad statements. Taking the cities, large and small, throughout the country, competent local observers will not agree that there is "an acute shortage of dwellings", although there are, of course, persons who, due to unemployment or other reasons, cannot pay for proper housing and other necessaries of life. Private industry has been reasonably effective in solving the national housing problem, particularly in those areas where government has carried out the responsibility of demolition and maintenance of proper sanitary and tenement laws. In general, the findings and policy are sweeping and apparently designed for judicial attention, rather than as a statement of facts upon which disinterested observers can agree.

Section 2

Subsection (1). Experience with Federal projects to date suggests that, as a part of the definition of low-rent housing, there should be a declaration of legislative policy to the effect that the housing constructed with public assistance be modest in its apopintments and of as low a cost as is possible. All British experience convinces one that we build at entirely too great an expense in our projects, and it is doubted whether "housing" should include administrative, educational, recreational, and other buildings and facilities, as has been the case in many of the Federal projects.

We therefore offer the following substitute for the definition of "low rent housing" in section 2 (1):

"SEC. 2. (1) The term 'low-rent housing' means decent, safe, and sanitary dwellings within the financial reach of and available solely for families of low

[8] Section numbers refer to sections of S. 4424, 74th Cong.

income. Such housing shall not be of elaborate or expensive design or materials, but must be provided at a cost per family not exceeding the average cost of housekeeping dwellings in the county or city where such housing is built."

Subsection (2): One of the problems which has been difficult in British housing experience and which is already with us in present Federal projects is confining the accommodations to families which merit public assistance. The present definition of "families of low income" provides no specific and clear-cut policy. Under its language, taking present Federal projects, families with income in excess of $2,000 a year could be accommodated. Examination of the distribution of the outgo of families of low income justifies the four-times ratio proposed in the following amendment. In fact, the four-times ratio is in the interest of the persons of lowest income, as it assists in barring persons of higher income who could be served by private enterprise but whose influx into public-housing projects deprives persons of smaller means and in less fortunate circumstances of good accommodations.[4] Incomes must be related to the situation in the community, because a $2,000 income in some of the smaller cities and in some parts of the United States permits the purchase or renting of housing accommodations which can and should be supplied exclusively by private enterprise.

We therefore offer the following substitute for the definition of "low-income family" in section 2 (2):

"SEC. 2. (2) The term 'low-income family' means a family all the members of which taken together, living under the same roof, have had an average income for the past 5 years not in excess of the income of the average family in the 20 percent of the population of the county or parish where such family resides which have the lowest incomes as indicated by the last previous Federal census; and in the absence of such information in the last Federal census, then as determined from reliable estimates of income in such area: *Provided*, That no family shall be accepted as a tenant in any low-rent housing project whose aggregate income exceeds four times the rental of the quarters to be furnished such family. The term 'rental', as used in this section, includes only the rent for the premises and does not include heat, light, water, and cooking."

Subsection (7) of section 2, Definitions, proposes that any group of persons who desire Government housing may organize and by later provisions of the bill have houses built for them by the Government. The complete elimination of this section is recommended.

Section 3

Section 3, subsection (b), United States Housing Authority, provides for a board of management of three. These provisions seem appropriate, except that it may be desirable to follow the precedent established by the Federal Reserve Board and make certain that an appropriate variety of experience and training be represented. Therefore, it is proposed to add the following amendment to the present subsection (b):

"In selecting members of the Board, not more than one of whom shall be selected from any one Federal home-loan bank district, the President shall have due regard to a fair representation of the public housing, mortgage credit, and construction interests and geographical divisions of the country."

Section 4

In subsection (d) of section 4, United States Housing Authority, the last two sentences provide for giving civil-service status to employees who have not qualified as such, but who have been transferred from other bureaus and divisions, presumably new emergency organizations, which have not been subject to civil service. This policy is not approved, and it is recommended that the following language be stricken from subsection (d) of section 4:

"No employee shall acquire by any such transfer a permanent or civil-service status, but within 90 days after such transfer the Authority may certify to the Civil Service Commission the names of such transferred employees as it desires

[4] For facts justifying the four-times ratio proposition, see the Financial Survey of Urban Housing, Bureau of Foreign and Domestic Commerce, 1934, or for brief but satisfactory treatment, see Portfolio, vol. 1, no. 2, August 1936, Federal Housing Administration, which shows that tenants earning $2,000 a year customarily expend $40 for rent, which means that their annual income is five times their rent, and families with income of $1,000 pay on an average $300, which is three and a third times, while families with $4,000 income pay $600, which is 6.6 times.

to retain and as are required to be under the civil-service laws by the provisions of section 4 (b) of this act. Upon such certification, said Commission shall provide for the inclusion of such employees within the civil service."

Section 7

In subsection (b) of section 7, in order to have complete information, it is recommended that the following language be added at the end of subsection (b) of section 7:

"The annual report shall include operating statements of all projects under the jurisdiction or receiving assistance of the Authority, including the income of occupants, size of family, and other related information which will demonstrate that the accommodations are being utilized by persons and families which do not have family assistance available and which merit Government assistance."

Section 9

It is most important that the Authority have before it complete information regarding housing conditions. In fact, such information is necessary to have the support of local public opinion in accomplishing many of the things important in a general housing program in which public housing is effective and supplements private enterprise. It seems only fair that when the Federal Government gives loans, grants, or credit assistance, the county, city, or public housing agency do its part as regards planning, zoning, demolition, and the prevention of renting of insanitary or overcrowded dwellings. In the judgment of some, this policy alone will insure great progress in the entire program of housing.

It is therefore recommended that a new subsection (d) be added to section 9, to read as follows:

"(d) Any county, city, or public housing agency, prior to receiving loans, grants, or credit assistance from the Authority and at such dates as are fixed by said Authority, shall cause an inspection to be made to ascertain the complete facts regarding slums, blighted areas, and unsafe or overcrowded housing. Such report to the Authority shall be available for public inspection and no grants, loans, or credit assistance shall be made to any county, city, or public housing agency in the absence of such facts. The Authority shall not authorize loans, grants, or credit assistance to any county, city, or public housing agency unless there exist in the areas under the jurisdiction of the county, city, or public housing agency reasonable city planning and zoning laws, also prohibitions against the renting of insanitary or overcrowded dwellings and provisions for the demolition of unsafe structures, all adequately administered. Further, the Authority shall not authorize loans, grants, or credit assistance unless there shall be provided orderly and systematic arrangements for the future control and operation of any housing constructed, by a representative and nonpartisan body organized in such a manner as to accomplish the fullest measure of local public trusteeship."

Section 10

There seems to be general agreement that more demonstration projects, built, owned, and operated by the Federal Government should not be initiated. We have before us the dollars-and-cents experience of the Housing Division of the P. W. A. and it would seem that, now that the emergency employment problem in the building trades is largely behind us, it might be wise to clearly embark on a policy of decentralization and local collaboration by eliminating the section providing for further demonstration projects. Therefore, it is recommended that the entire section 10 be eliminated from the bill.

Section 12

In order that the objective of the public housing program should point ultimately toward private operation through limited dividend corporations or to cooperative ownership by its occupants, an additional subsection to section 12 is recommended placing this objective among the considerations which guide the Authority, as follows:

"(8) That there is a possibility that at some future time the project may be owned and operated privately by a local limited dividend corporation or owned and operated cooperatively by the occupants."

Section 19

The present section 19 provides for financing housing projects by the direct use of Federal Government credit. As an alternative method, and a preferred alternative if found workable, the following additional subsection is proposed. This new subsection, instead of drawing on Government credit and increasing the direct obligations of the Government, provides a means whereby private capital can participate in the financing of projects under the Authority. There is some British experience with this arrangement growing out of a section included in their Housing (Financial Provisions) Act of 1933. It would cause the lending institution and the United States Housing Authority and the county, city, or public housing agency to jointly underwrite or assume losses until the indebtedness is reduced substantially and until time has proven that the project can operate on an economic and successful basis.

There is ample private capital seeking safe investment and this provision would establish a method for its employment in public housing and permit a substantial reduction of the Government obligations authorized in previous subsections. It would also establish some joint financial responsibility and participation which would restrain the undertaking of hasty or ill-advised projects, an end certainly desirable in the interests of all concerned, including those primarily responsible for public housing efforts.

It is therefore proposed to add to the present section 19 a new and additional subsection (f): . .

"(f) The authority is authorized to guarantee principal and interest on mortgage loans which finance low-rent housing for families of low income. This guarantee shall be conditioned upon lending institutions extending credits at rates and for terms of years approved by the authority. Such guarantees may be granted on loans not exceeding 90 percent of the valuation, in lieu of the limited 50-percent advances which might be made apart from this special guarantee. The liability of the authority is limited to one-third of any excess advance over 50 percent. The valuation on which the percentage is based must be satisfactory to all interests concerned and the county, city, or public housing agency (not the mortgagor) shall also assume one-third of the risk. If the authority has agreed to guarantee repayment to a financial institution of the additional sum in excess of 50 percent valuation and if the mortgagor shall at any time make default in payment in accordance with the terms of the mortgage, and the financial institution, after duly exercising all or any of the powers vested in it as mortgagee for recovering the principal and interest secured thereby, shall have failed to recover the full amount of such principal and interest, then the authority shall within one month after demand duly made, pay to the financial institution a sum equal to two-thirds of the difference between the actual deficiency which has arisen and the deficiency that would have arisen if the principal sum secured by the mortgage had been 50 percent of the valuation and the amount of the periodic payments specified in the mortgage had been proportionately less. The agreement between the authority and the county, city, or public housing agency (not the mortgagor) shall provide for the reimbursement of the authority to the extent of one-half of its loss under the guarantee. Any sum payable by way of reimbursement on the guarantee shall be paid out of the funds of the authority, or the guarantee when originally approved by the Secretary of the Treasury shall be paid out of public funds with money hereby authorized to be appropriated for such purpose out of any money in the Treasury not otherwise appropriated. Reasonable efforts shall be made to finance each housing project under this subsection before the authority issues obligations which are fully and unconditionally guaranteed by the United States as to principal and interest, as provided in previous subsections."

New sections

A legally sanctioned advisory group is often of great assistance in the development of a new governmental policy and program. Recent British housing legislation included a provision for a "central housing advisory committee" (see Housing Act 1935, part II), and such advisory group would do much to facilitate the public housing program and clear the judgment and suggestions of the various interests concerned. As this is purely an advisory set-up, it seems desirable that the entire personnel of the advisory group not be selected by and therefore beholden to those who are to be advised. Therefore, in drafting the proposed amendment, half of the membership is made subject to appointment by the authority and the other half to be selected by nationally recognized organizations interested in the subject. The recent reorganization of the Bank of France included this arrangement whereby certain named groups had representation.

"SECTION 00. There is hereby created a National Housing Advisory Committee, which shall consist of 16 members, 6 to be appointed by the authority and 10 to be named by the following organizations: American Bankers Association, American Federation of Labor, American Life Convention, Associated General Contractors, Chamber of Commerce of the United States, Mortgage Bankers Association of America, National Association of Public Housing Officials, National Association of Mutual Savings Banks, National Association of Real Estate Boards, and United States Building and Loan League. Each organization shall name its representative and all members of the committee shall serve without compensation, but shall be entitled to reimbursement from the authority for traveling expenses incurred in attendance at meetings of such committee. The committee shall meet at Washington at least twice a year and oftener if requested by the authority. The committee may select its own chairman, vice chairman, and secretary, and adopt methods of procedure and shall have power—

"(1) To confer with the authority and other public officials on any matter which may be referred by the authority to the committee dealing with the housing question, public or private, and any matters arising in connection with the execution of laws relating to housing.

"(2) To request information and to make recommendations with respect to matters within the jurisdiction of the authority and also to consider the operation of enactments relating to housing and make to the authority such recommendations with respect to these matters as the committee thinks desirable. The recommendations here directed shall be printed as a part of the annual reports to Congress of the authority."

An additional section might be needed if rent relief or rent assistance is favorably considered. Appropriate administrative orders or legislation could be prepared in order to establish it as a public policy and to make its use effective. It might be well to include in the public-housing legislation a section stating the general policy and objectives with regard to rent relief and this should be related to or conditioned upon the existence and enforcement of proper local planning, zoning, and demolition laws and also laws preventing the renting of insanitary or overcrowded dwellings.

PART III

It is the recommendation of the committee on public housing that such a committee be continued as a standing committee of the league to give further study to the whole question dealt with in this report. This question has such important long-term implications that we respectfull suggest that the board of directors or the executive council of the league consider using a modest amount of the league funds in general research on the subject, the preparation of pamphlets, studies, and printed materials. These materials should be distributed to persons interested in the general subject, but particularly to the other national organizations whose interests are affected by the policies proposed in the public-housing legislation.

We further feel that, if possible, the active assistance and collaboration of the other groups should be obtained in presenting the views of private enterprise and the institutional lenders with regard to a permanent public housing policy: Ernest Hale, *Chairman*, Boston, Mass.; Clyde T. Baugh, Evansville, Ind.; A. C. Bigger, Dallas Tex.; Harold Dalsemer, Philadelphia, Pa.; W. E. McNulty, Columbia, S. C.; Geo. H. Pearce, Buffalo, N. Y.; L. C. Pollock, Oklahoma City, Okla.; E. W. Saucier, Birmingham, Ala.; Carl R. Evered, Camden, N. J.; Chas. J. Haase, Memphis, Tenn.; C. Clinton James, Washington, D. C.; P. Z. Jones, Stamford, Conn.; Louis H. Kelley, Minneapolis, Minn.; Arch C. Klumph, Cleveland, Ohio; Robert G. Lose, Atlanta, Ga.; Robert Schissler, Milwaukee, Wis.; John Scott, St. Paul, Minn.; E. A. Skehan, New York City, N. Y.; Roy W. Skirvin, Cincinnati, Ohio; Jos. G. Standart, Detroit, Mich.; W. H. Walker, Miami, Fla.; and Morton Bodfish, Chicago, Ill.

Adopted by general convention, October 16, 1936.

Further considered and approved by executive council, October 17, 1936.

ADDENDUM A

Dealing with one of the most publicized housing projects, I quote from a manuscript of Dr. Julius Fleischmann, doctor of political economy, University of Freiburg, entitled, "A Permanent Low-Rent Housing Program for the United States", to be published in an early issue of the Journal of Land and Public Economics. It illustrates clearly some of the realities of public housing in the hands of well-intentioned persons, but also convinces one that the projects to date do not even suggest a reasonable formula upon which we can rehouse the lowest income 10 percent of our population.

"Another slum-clearance project in New York City, called first houses, contains 122 apartments, erected by the New York Housing Authority. The rent is only $6.05 per room per month, because the rent covers only interest and amortization on a land cost of about $215,000 and operating expenses. Money for construction was granted by the W. P. A. for which no interest and amortization charges are made. The exact amount is not publicly known, but estimates range from $700,000 up. In consequence, the taxpayer has to subsidize each of the 122 tenants by at least the same amount per month as the monthly rent actually paid. What fantastic sums would be necessary to replace the other 500,000 slum dwellings in Manhattan, Brooklyn, and the Bronx in the same manner! Nevertheless, in a nice pamphlet, published by the New York Housing Authority which brings out every detail of the set-up of first houses except the exact building costs granted by W. P. A., Mr. Langdon Post, chairman of the authority, has written as the first sentence:

"'The opening of first houses is the answer in brick and mortar to the question, Is it possible to clear slums and rehouse the people who live there? This is the answer to the doubting Thomases who make it their business to point out why you cannot do something rather than how you can.' And now Mr. Post and his appointed slum-clearance committee recommend a long-range housing program involving the expenditure of approximately 1½ billion dollars over a period of some 10 years which would result in the ultimate clearance and rebuilding of New York City's extensive slum and blighted areas. As a first step in this long-range program, the committee urged the expenditure of $150,000,000 for the purpose of providing low-rental apartments for approximately 31,000 families at rentals ranging from $4.50 to $7 per room per month. Of course, the Federal Government must furnish the money without interest, receiving only an amortization of 2 percent extending over 50 years. The Federal Government, to which this plan was presented, did the only reasonable thing; it rejected the proposal. However, in the authority's recent annual report, this comment appears on the fate of the plan: 'It was not adopted by the Federal Administration; it must nevertheless form the basis of action toward rehousing during the coming decade!'

"But did first houses at least rehouse the tenants of the former slum houses? Who are the 122 happy families who were admitted to these model apartments? The previously mentioned pamphlet of the New York Housing Authority has a special chapter, 'How the Tenants Were Chosen.' Within 2 weeks of the announcement that applicants would be accepted 3,000 had filed, and it was necessary to put a stop to them. 'The authority's management committee decided on the following procedure: Those living or working in the district and earning from four to five times the rent and having families of a size suited to the project (most of the apartments were three rooms) were marked for investigation, the remainder being held ineligible.' In other words, a family had to have a steady income of $70 to $90 a month, not more, but not less. Those excluded were unemployed families and families with no steady income or an income of less than $70 a month. 'The successful applicant had more than $1,000 insurance but no more than $3,000, and a savings account of not less than $100 and not more than $1,000, he had been steadily employed for 1 year and more, and had a more or less stable income. * * * All but one family among the successful applicants were residents of the lower East Side, and only six families lived on the site of the project. This is explained, however, by the fact that the old buildings were so dilapidated that, except for two or three houses, they were practically untenanted.'

"As to given statistical figures, in every apartment lives a family consisting of two adults with steady employment and regular income and usually not more than one child. Thus first houses lodge only a restricted and rather secured group of low-wage earners, disciples of birth control. This project is not only unsound from the financial but also from the social standpoint.

"When once the principle of self-liquidating low-rent housing is abandoned, no wonder many expensive frills are introduced. All these low-rent housing projects are equipped with community rooms, playgrounds, nursery schools, kindergartens, etc. These facilities are desirable; they make a housing development more attractive, and it is much easier for residents to become acquainted with one another. The tenants are not inclined to move as often as they do in commercial housing. But in a self-liquidating low-rent housing project the management must estimate carefully how much can economically be spent for these social purposes. Then the total amount must be included in the rent calculation and be paid by each tenant as an addition to his rent; 25 cents per room per month would seem to be the upper limit. The management will then try to cover as nearly as possible the expenses for social purposes. It will not initiate community activities, but leave this to the tenants, who should pay any special expenses entailed in their group organizations. Extraordinary expense for such things as nursery schools or kindergartens should certainly for the most part be the responsibility of the tenants using them. It should be realized that better housing at low rentals is the goal, and there must be a sense of proportion in regard to expenditures for community activities.

"Many of the social housing advocates disagree with the above thesis. To make life more abundant in these housing projects, the management has to undertake and pay for all community and social activities. Along the same lines they propose weekly collection of rents in the tenants' apartments, an extraordinary idea when the expense and administrative difficulties are considered. The social workers feel it necessary to have this entry to the tenants' apartment for the purpose of instructing them in their household details. The procedure of weekly rent collection is followed in first houses. No wonder these social housing advocates discovered that low-rent management is a completely new profession requiring special training. Imagine the increase in subsidy necessary to maintain a staff of social workers for all those purposes."

ADDENDUM B

[H. Res. 466, 74th Cong., 2d sess.]

IN THE HOUSE OF REPRESENTATIVES,
March 26, 1936.

Mr. Hancock of North Carolina submitted the following resolution, which was referred to the Committee on Rules and ordered to be printed:

Resolution

Resolved, That the Speaker of the House of Representatives is authorized and directed to appoint a select committee consisting of seven Members of the House to investigate housing problems in the United States and Great Britain.

The committee is authorized and directed to study and investigate conditions with regard to home ownership, home building, home financing, and public housing in the United States and Great Britain. The committee shall also survey the activities of the agencies of the Government having to do with housing in all its phases, and shall report to the House during the first session, Seventy-fifth Congress, the results of its inquiry, together with such recommendations for legislation as it deems advisable.

For the purposes of this resolution the committee or any subcommittee thereof is authorized to sit and act during the present Congress at such times and places, whether or not the House is sitting, to hold such hearings, to require the attendance of such witnesses and the production of such books, papers, and documents, and to take such testimony as it deems necessary. The inquiries of the committee may extend to Great Britain, where an active house-building program has been a major factor in British business recovery.

The members of the committee are to serve without compensation, but $50,000 is authorized to be appropriated to pay traveling expenses incurred by members and to employ such technical and clerical assistance as the committee deem desirable to complete a comprehensive study and inquiry and prepare a report and legislative program for the consideration of the Seventy-fifth Congress.

ADDENDUM C

[From the New York Times, June 29, 1936]

Getting rid of the slums

Give laissez faire its due. Since the turn of the century notable progress has been made in dealing with many of the evils commonly associated with the city slum. The Tenement House Act of 1901, followed by the Multiple Dwelling Act of 1929, set up standards far more exacting than those of days gone by. If three-quarters of the old-law tenements are still standing, most of them have at least been "improved in respect to sanitary conditions and means of egress in case of fire." The other quarter have disappeared altogether and no new abominations have been erected in their place. Meanwhile residential areas outside the slums have grown apace, with the result that whereas in 1900 approximately two-thirds of the population lived in old-law tenements, at the present time the proportion is slightly less than one-third.

Secretary Ickes would have done well to read the latest report of the tenement-house department, from which these statements are quoted, before he made his speech in Harlem last week. It would have saved him from the ludicrous assertion that housing conditions had grown steadily worse in this city ever since 1867.

The flank attack on slum conditions has, as a matter of fact, been reasonably successful. An adequate and safe water supply has been assured. Health measures have prevented the rapid spread of those epidemics which used to take such frightful toll of dwellers in the slums; since 1870 the tuberculosis death rate had dropped from 400 to 50. Modern schools and hospitals have been erected in slum districts, and playgrounds sprinkled through them. Heavily subsidized rapid transit has encouraged that decentralization of population which, with the virtual stopping of immigration, has reduced the population of the lower East Side by more than 50 percent in two decades. No one can compare urban housing generally today with similar housing of the last century without reaching the conclusion, voiced by Mr. James Ford in the latest study of the subject, that the improvement in conditions of living, particularly for the wage-earning group and the poor, have been nothing short of phenomenal.

It is the frontal attack on the slums which has accomplished so few tangible results. Built 50 or 75 years ago, 66,000 old-law tenements still stand, a blot on our urban civilization and a reproach to those men of leadership and genius in our cities who have solved so many other social problems and failed to solve this vital one. In these ancient rookeries men, women, and children still live under conditions which are repulsive to every humane instinct and defy all modern housing standards. New Dealers and "old dealers" must share the responsibility for their continuance. No less deplorable than the failure of this frontal attack prior to 1933 has been its failure since 1933, when vast sums have been available for public works that could have been put to no more constructive use in New York City than in slum clearance. It is little short of a tragedy that the only substantial venture of this kind now under way here is the Williamsburg project in Brooklyn, and that the lower East Side of Manhattan, where some of the worst slums in the world persist, has been left practically untouched.

With the defeat of the Wagner bill the time has come to take stock of the situation once more and make new and more practical plans for getting rid of this cancer. Federal construction, management, and control are demonstrated mistakes; it is not conceded that such functions must be left to the localities. Federal subsidies, even if held constitution, cannot safely be the sole reliance. Granting the need of public aid of some kind, the place to make a start is with the city and the State. If this community truly believes that slum clearance is of paramount social importance, let it find some means of defraying part of the expense locally, calling in the Federal Government only, at the most, as a partner in the venture, with limited dividend companies revived, pooling of equities encouraged, and public aid extended through loans, grants, allowances, or—perhaps best of all—mortgage guarantees.

If areas of decay like the East Side are to be rehabilitated, then the emphasis must be shifted from low-rental housing to slum clearance. The two problems are closely related, but by no means identical. Unfortunately, those in control of the project have hitherto sought to combine extremely high standards with extremely low rents. They want densities sharply reduced, building strictly limited in height, spacious courts, superior construction, and rather elaborate equipment. All these are desirable enough as measures of improved housing, but they are fatal to slum clearance. Why? Because the land on which the worst slums stand today is valued so highly that such standards are incompatible with the rentals desired. To take a single example, it has been calculated that limiting building heights to six stories on centrally located slum land adds no less than $1.25 a month to room rentals. Unnecessary restrictions of this kind will have to be relaxed if any progress is to be made in these areas. Even if that is done, minimum rentals may have to be raised somewhat to avoid back-breaking subsidies.

ADDENDUM D

Statement and analysis regarding a United States housing authority to build and rent housing; clear slums, etc.; as proposed in S. 4424, Seventy-fourth Congress.

Prepared May 1936 by the United States Building and Loan League for the information and use of members.

The so-called Wagner housing bill creates a new Government board to build or finance public housing. The measure is broadly drawn, giving very extensive authority to the administrative board.

There can be little question of the objectives of eliminating "unsafe and insanitary housing conditions", or that the clearance of slums is desirable, or even that public funds, either local or national, may properly be used to assist the unfortunate or underprivileged 10 to 20 percent of our population. The United States housing authority is authorized to carry on a most extensive program and is provided with substantial financial assistance through both credit and subsidy from the Federal Treasury in this bill.

As the bill establishes a permanent national policy with regard to public housing, the measure should have the thoughtful and friendly study of all interested in improving physical living conditions. Everyone desire to see a policy adopted which will achieve better housing, and the Wagner bill should be studied with the idea of relating its provisions to our past history, to the known energy and effectiveness of private enterprise, and to confining it to a sphere of activity which will, beyond a doubt, assist persons whose status is such that contributions from the Public Treasury may be justified on social grounds.

There follows a section-by-section analysis of S. 4424. After this analysis there appear some of the comments or suggestions which have been made by experienced housing and home-financing authorities, not in opposition to this legislation, but in a desire to perfect it and restrict it to the persons for whom public assistance is needed.

Section-by-section analysis of S. 4424

SECTION 1. This section, findings and policy, states that there is an acute shortage of decent, safe and sanitary dwellings within the financial reach of families of low income; outlines at some length the social and economic results of such conditions, and places the enactment of the legislation under the "general welfare" clause of the Constitution. It declares that the housing shortage has produced business inactivity in a great many industries and that private industry has been and continues to be unable to relieve the condition, without financial assistance.

SEC. 2. This section contains definitions of terms used throughout the bill, the first two of which we quote in full.

"(1) The term 'low-rent housing' means decent, safe, and sanitary dwellings within the financial reach of, and available solely for, families of low income, and developed and administered to promote serviceability, efficiency, and economy; and embraces all necessary or desirable appurtenances thereto, including administrative, educational, recreational, and other buildings and facilities.

"(2) The term 'families of low income' means families who cannot afford to pay enough to induce private enterprise in their locality to build an adequate supply of decent, safe, and sanitary dwellings for their use."

It should be noted that these definitions are extremely broad and leave within the jurisdiction of the Government bureau broad discretion. There is practically no limitation in the general language and it has been observed that

middle-class housing for classes of people who have been traditionally served by private enterprise could be built under these broad definitions, if those in charge so desired.

Other terms defined in this section include "slum", "slum clearance", "development", "administration", "demonstration project", and numerous other terms which apply specifically to the provisions of the bill and which will be elaborated in the respective sections dealing with these items.

Section 3 creates a body to be known as the United States Housing Authority, as an instrumentality of the United States, the administration and powers of which are vested in a board of directors composed of five members. The Secretary of the Interior is to be a member ex-officio and the other four are to be appointed by the President, by and with the advice and consent of the Senate.

Section 4 deals with personnel and salaries. The four appointive board members are to receive a salary of $10,000 a year, and the appointment and compensation of other employees are to be determined by the Authority. Within 60 days of the enactment of the legislation, all assets, equipment, records, obligations, and employees of the Housing Division of the Federal Emergency Administration of Public Works are to be transferred to the Authority, with 90 days allowed the Authority in which to inform the Civil Service Commission of those employees which it wishes to retain. Furthermore, the President may "in his discretion" transfer to the Authority any other bureau or division of the Federal Government which is engaged in low-rent housing or slum-clearance activities.

Section 5 lists the privileges and powers of the Authority, which include the right to foreclose on any property or take action to protect its rights; to acquire at foreclosure or any other sale any low-rent-housing project which it previously owned or upon which it has made a loan or grant; procure insurance against loss; sue and be sued in the Federal courts except where the Authority consents to a lower court; the free use of the mails, and exemption from all taxation now or hereafter imposed by the United States or by any State or local authority. This section also fixes the principal office of the Authority in the District of Columbia, giving the Authority power to establish branch offices or agencies in any State.

Section 6 prescribes the manner in which the obligations and expenses of the Authority are to be incurred, allowed, and paid.

Section 7 permits the Authority to engage in research, studies, surveys, and experimentation, and to publish and disseminate information pertient to the various aspects of housing. It also requires the Authority to make an annual report of its operations to Congress in January of each year.

Section 8 provides that rules and regulations to carry out the provisions of the act may be made, amended, and rescinded.

Section 9, dealing with grants and loans to public-housing agencies, and section 10, dealing with loans to limited-profit housing agencies, are the real heart of the bill and are of such importance that they are here quoted in full.

Briefly, section 9 provides that the Authority may make grants and loans to any public-housing agency (which, under the terms of the bill applies to any State, county, city, or other governmental entity or public body) to assist the development, acquisition, or administration of any low-rent-housing project by such agency. The grant shall not exceed 45 percent of the development or acquisition cost, which may be paid, in whole or in part, in a lump sum. In addition to the grants, loans may be made for low-rent-housing projects in an amount not to exceed 55 percent of the development or acquisition cost, on such terms and for such length of time (not to exceed 60 years) as the Authority may determine.

The complete section is as follows:

Assistance to local low-rent-housing and slum-clearance projects

"SEC. 9. (a) The Authority may make grants and loans to any public-housing agency to assist the development, acquisition, or administration of any low-rent-housing project by such agency.

"(b) The value of the grant to a low-rent-housing project shall be that which is necessary, in the determination of the authority, to assure the low-rent character of such project, but shall in no case exceed 45 percent of its development or acquisition cost. Such grant may be paid, in whole or in part, in a lump sum. Any balance (of the total value of the grant) not so paid shall be paid in the form of fixed and uniform annual contributions, over a fixed period not exceeding 60 years, each such annual contribution

to be payable out of any funds available to the authority when such payment is due. Each such annual contribution shall be equal to the amount of the annual payment which such balance would yield over such fixed period of years in an annuity computed at the going Federal rate of interest at the time such grant is made. The authority shall embody the provisions for such annual contributions in a contract guaranteeing such fixed and uniform payments over such fixed period.

"(c) No loans pursuant to this section shall be made or be outstanding for any low-rent-housing project in an amount greater than the development or acquisition cost of such project, less the total value (at the time when made) of any grant pursuant to subsection (b) of this section. Any such loan shall bear interest at such rate, be secured in such manner, and be repaid within such period, not exceeding 60 years, as may be deemed advisable by the authority."

Section 10 provides for loans, up to 85 percent of the development or acquisition cost of the projects, to limited-profit housing agencies, which under the terms of the act means "any association, cooperative, limited-dividend corporation, or other corporate body organized to develop or administer low-rent-housing projects" whose policies and operations are subject to the supervision and control of the authority. We quote the section in full:

"SEC. 10. The authority may make loans to limited-profit housing agencies to assist the development or acquisition of low-rent-housing projects: *Provided*, That not more than $25,000,000 shall be so loaned in any one fiscal year. Any such loan shall not exceed 85 percent of the development or acquisition cost of the project involved, shall bear interest at not less than the going Federal rate at the time such loan is made, and shall be secured in such manner, and be repaid within such period not exceeding 60 years, as may be deemed advisable by the authority."

Section 11 gives the authority power to develop and administer low-rent-housing and slum-clearance demonstration projects "in order to demonstrate to localities the benefits to be derived therefrom." These projects are not to be commenced in any locality without the advice and at the request of either the local governing body, a public housing agency, a public housing society representing families needing the project, or a local committee of representative and responsible citizens. As used in the bill, the term "public housing society" means a group of persons of low income in need of low-rent housing, organized solely to promote and administer such housing and operated under the supervision and control of the authority.

The authority is to sell these demonstration projects to public housing agencies, or, pending sale, to lease them, in whole or in part, under certain conditions to a public housing agency or a public housing society. It may "dedicate" land for parks, playgrounds, and other recreational facilities, for sewers, for the opening or widening of streets, for incidental improvements, or "for any other public purpose", and is empowered to "require"[1] real or personal property or any interest therein by purchase, eminent domain, gift, devise, lease, or otherwise. The services of the Attorney General of the United States are to be available to the authority to procure information relating to the state of title or to institute condemnation proceedings in its name. During the time that the authority remains in possession of these projects it may pay annual sums in lieu of but not in excess of the taxes that would be paid to the State or subdivision, if such projects were not exempt from taxation thereby.

Section 12 gives the authority power to amend or modify any or all terms of agreements entered into or about to be made.

Section 13, entitled "Standards", sets forth a number of considerations for the guidance of the authority in making loans or grants pursuant to sections 9, 10, and 11, such as the need for the projects and the inability of private enterprise to meet the need, appropriateness of form of assistance, suitability of site selected, reasonableness of price, etc.

Section 14 gives the authority power to take possession of, administer, and dispose of any project where there has been a breach of the covenant, in order to maintain the low-rent character of the project. It is also authorized to insert in any agreement or instrument made in pursuance of the act such covenants, conditions, or provisions as it may deem necessary in order to insure the low-rent character of the housing project involved.

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[1] Although the word "require" is used in the bill, it appears that "acquire" is the word intended.

Section 15 provides that the sale of any low-rent housing project by the authority must be equal to at least 55 percent of the development or acquisition cost, and directs that the rentals of such projects are to be fixed at an amount which shall be at least sufficient to pay all necessary and proper expenses of administration of the project and to repay, within a period not in excess of 60 years, at least 55 percent of the development or acquisition cost, together with interest at such rate as the authority deems advisable.

Section 16, dealing with labor standards to be required in the development or administration of any low-rent-housing or slum-clearance project, provides for the prevailing wage to be paid all laborers and mechanics employed in such projects and sets up standards in regard to hours, workmen's compensation, etc., in accordance with various acts of Congress.

Section 17 provides a capital stock of $1,000,000 for the authority, to be paid by the Secretary of the Treasury.

Section 18 authorizes the appropriation of the following sums from the Treasury, in addition to the initial subscription of $1,000,000:

Amount	*Year ending*
$50,000,000	June 30, 1937
$75,000,000	June 30, 1938
$100,000,000	June 30, 1939
$100,000,000	June 30, 1940

Section 19 authorizes the President, in his discretion, to allocate to the authority any funds available under any act of Congress for allocation for low-rent housing or slum clearance.

Section 20 provides for advances from the Reconstruction Finance Corporation to the authority, not to exceed in the aggregate outstanding the sum of $100,000,000, which is to bear interest at a rate not exceeding cost plus one-eighth of 1 percent per annum and to be repaid within 60 years. The Reconstruction Finance Corporation Act is amended to increase by the sum necessary for such purposes, not to exceed $100,000,000, the amount of notes and other obligations which the corporation is now authorized to have outstanding at any one time.

Section 21. In addition to the above obligations, the authority is authorized to issue obligations, in the form of notes, bonds, or otherwise, not in excess of the following amounts after the dates indicated:

Amount	*Year ending*
$100,000,000	July 1, 1936
$150,000,000	July 1, 1937
$150,000,000	July 1, 1938
$150,000,000	July 1, 1939

It is provided that these obligations are to be exempt from normal taxation, are unconditionally guaranteed both as to principal and interest by the United States and are lawful investments for fiduciary, trust, and public funds. The authority may prescribe, with the approval of the Secretary of the Treasury, the dates of maturities of such obligations, not in excess of 60 years; the rates of interest, not exceeding 4 percent per annum, and other terms and conditions of their issuance and price. The obligations may be marketed by the Secretary of the Treasury, utilizing all the facilities of the Treasury Department authorized for the marketing of obligations of the United States. Initial capital, authorized appropriations, R. F. C. advances, and authorized obligations involve a total of $976,000,000.

Section 22 designates the authority as a financial agent of the Government and makes provision for the deposit and investment of its funds not otherwise employed.

Sections 23 through 27 are the customary penalty clauses for fraud, embezzlement, improper use of moneys or title, etc.

Section 28 is the usual separability clause, providing that the act as a whole will not be affected even though some provision or application thereof is held invalid.

Section 29 designates the official name of the act as the "United States Housing Act of 1936."

Where questions arise

I. Probably not more than 20 percent, at most, of the population of the United States have incomes so nonexistent or limited as to be public charges or to need public assistance in housing. If this is true, shouldn't the definitions of "low-rent housing" and "low-income families" be revised to point all activities, in the way of public housing, to these underprivileged groups?

Two concepts are necessary here. First, the housing constructed under the legislation should be restricted by statute to structures of such modest construction and appointments that it would not attract tenants from income groups able to pay an economic rent. British experience strongly suggests the importance of not publicly constructing and renting quarters which are attractive to the better-paid working-class families. Secondly, a concrete definition of "low-income families" should be written into the legislation, so that housing activities would be confined distinctly to the low-income percentage of the population, say, those whose income was in the lower 20 percent, according to the last Federal census, county by county.

Again it would seem important to thoughtfully study and revise the definitions appearing under section 2 (1) and (2).

II. The direct grants proposed under section 9 should be thoughtfully studied. Great Britain, whose experience is most frequently cited, has completely abandoned the subsidies and direct grants which were utilized by the Labor-Socialist Government in the early 1920's. Certainly, if grants are made, they should follow the whole principle established in connection with road building, namely, that there be sufficient interest and financial responsibility in the community that the community benefiting from the Federal subsidy or grant should shoulder the responsibility for an equal contribution. In other words, if a grant is necessary to initiate a project, in addition to the special and subsidized rates of interest which are provided, shouldn't the city, the county, or the State benefited by the project match, dollar for dollar, the contribution of the Federal Government?

Many persons are entirely opposed to grants or subsidies. The suggestion has been made by some very eminent students of the subject that any subsidy or special assistance should be in the form of rent relief or assistance to individual families, with the housing produced by private enterprise, rather than housing built, owned, and operated by Federal or local governments.

III. Considering the burden of taxation now carried by real estate, the great mass of which falls on individual home owners, the question should be raised whether such projects should not pay their share of expense of education, policing, and all the other items that go to make up local government expense.

Further, we wonder if the authority should be given broad authorization to originate tax-exempt securities.

IV. The necessity of providing for demonstration projects, to be built and operated directly by the Federal Government, is questioned. The Government now has a number of such operations under way, which should be completed and operated before further experimentation along this line is authorized. The British principle of complete local responsibility in housing matters, other than guidance and a very modest sharing of financial risks, could be wisely adopted in this country.

V. The amount of employment predicted in connection with the legislation will not be fulfilled. The experience of the past 3 years indicates that the time and problems in initiating and constructing public housing are such that it cannot play a major role in construction reemployment for several years to come. There is the further fact that in most cities of the United States today practically all of the skilled artisans in the building trades are employed. This does not apply to highly specialized workers, who were formerly employed in large unit commercial and apartment building construction, nor to unskilled labor. The unavailability of skilled carpenters, bricklayers, painters, and the like, in most American cities today is surprising. It may be recalled here that there has been no flow into these trades in the past 6 years and, of course, there has been the natural diminution in the numbers of these trained workers. Private enterprise, with increasing building activity, is already concerned over the skilled labor problem in the building trades.

In this connection, the expanding housing activities of private enterprise are a matter of common observation and statistics. Care should be taken that this trend is not interrupted and the number of persons otherwise employed in construction decreased if a wide-sweeping public housing program deters now-expanding private enterprise. This situation argues for great caution in embarking on public housing activities and emphatically suggests that any legislation be so definite and so limited that all private interests can ascertain from the legislation itself just what class of people will be served by the public activities, and whether this will interfere with private building activity.

VI. Subsidy arrangements, unduly accelerating housing activities, may lead to startling increases in building costs, which regrettably have not yet declined to the point where the mass market can afford to buy new housing.

VII. The bill conveys extremely broad discretion in administrative authority to the Federal body, "with an absence of definite standards." Such standards should be written into the legislation and, if necessary, extended study and consultation with all interests undertaken. Such inquiry, study, and amendment of the legislation should go far beyond those persons or groups particularly interested in a public housing movement, and the views of persons and groups having substantial financial responsibility in the areas to be served should be taken into consideration.

VIII. The principle of decentralization advanced in the bill should be completely carried out and the measure so restricted that local or municipal groups would pass upon and determine the public housing activities to be undertaken in their communities.

Further, if there is to be assistance from the public Treasury to local authorities, shouldn't such grants or loans be conditioned upon the local authorities providing satisfactory demolition ordinances, prohibitions against the renting of insanitary housing, requirements, and inspection as regards overcrowding, sanitation, etc., and some appropriate steps taken in city planning, in order that public housing can be properly located and tenants from slum or blighted areas moved into the most appropriate zones?

These comments or inquiries have been made by leaders in our thrift and home-financing institutions who have studied S. 4424. In general, the recommendations of the Committee on Housing of the United States Chamber of Commerce and the report of the Committee for Economic Recovery, entitled "Public Housing to Supplement Private Enterprise" find widespread support among our institutions. It should be noted that both of these important bodies recognize an appropriate and useful place for public housing, but suggest somewhat definite "means" for accomplishing such public service.

To sum up in conclusion, our cooperative thrift and home-financing institutions are not opposed to measures designed to clear slums and blighted areas and to assist in the housing of worthy underprivileged families. We do feel, however, that such legislation should be given a most thorough study and be so limited as to confine the benefits to persons and families who are in need of public assistance. We further believe that, unless such assistance is confined to the 20 percent of the population in the lowest income group, the general effects may be detrimental to the efforts of the cooperative, quasi-public institutions, which for many decades have served the working classes and helped them to achieve a higher standard of housing and home ownership than is known anywhere else in the world.

(Resolution adopted by general convention, United States Building and Loan League, New York City, Oct. 16, 1936:)

III. Housing and Home Building

The program and policy endorsed by the United States Building and Loan League concerning housing and home building activities in the Nation is hereby stated to be as follows:

We believe that the promotion of home ownership and adequate housing for all classes of citizens is a legitimate objective of city, State, and national governments, each in its own sphere. We propose, as a basic principle, the encouragement of private business and the readjustment of economic conditions so that all people will be able to pay out of earnings for their own proper housing. The homes of our average citizens surpass those of any other country and justify our continued reliance upon self-help and individual initiative rather than on paternalistic doctrines and bureaucratic methods which sacrifice ground already won. The present Federal activities in housing, housing finance, and research are scattered in unrelated programs among a maze of administrations spending enormous sums out of all proportion to the results obtained. Careful planning and cooperative effort from all concerned either from the social point of view or in financing and construction aspects are demanded. We ask coordination of necessary governmental activities in this field.

We oppose and condemn the continuation of centralized house building and renting activities tending to make the Federal Government a perpetual landlord with costs greater than would be incurred in the conduct of these activities by private enterprise. Federal control of housing is neither justified nor wise and, in the light of the recent warning of the Court of Appeals of the District of Columbia must be to a large extent unconstitutional. We propose that sanitary housing be encouraged and promoted by every means within the limits of constitutional government. We advocate Federal assistance in rent relief, locally supported and administered, for families in income groups so low as to preclude ability to pay economic rent.

The reclamation of slums and blighted areas, bans on renting of insanitary quarters and housing for the 20 percent of our population with lowest incomes are the responsibility of municipal and State governments with limited guidance and supervision from the Federal Government. Some financial support from the Federal Government might be justified if shared by the municipality. Increased home building is a vital need for complete recovery and the efforts to encourage better and lower-cost homes through research and the simplification and standardization of building practices should be revived. The proper facilities of the Federal Government should be used to reduce the cost of home ownership including encouragement of an integrated construction industry able to provide sturdy and sanitary homes at lower prices; assurance of a free flow of credit through the home financing field as well as vigilance to prevent the savings arising through reduced interest rates from being offset by increased costs in other factors; a Nation-wide conference to study and plan a reduction of the tax burden now resting on home owners.

The Chairman. The committee will stand adjourned until 10:30 tomorrow morning.

(Thereupon, at 5:15 p. m., the committee adjourned to meet the following morning, Friday, Aug. 6, 1937, at 10:30 a. m.)

TO CREATE A UNITED STATES HOUSING AUTHORITY

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Friday, August 6, 1937.

The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.

Present: Messrs. Steagall, Goldsborough, Reilly, Hancock, Williams, Ford, Brown, McKeough, Transue, McGranery, Wolcott, Luce, and Crawford.

The CHAIRMAN. The committee will come to order.

We have with us this morning Mr. S. F. Clabaugh, president of the Protective Life Insurance Co., of Birmingham, Ala.

Mr. Clabaugh, we will be very glad to have you discuss this bill which we have under consideration.

STATEMENT OF SAMUEL F. CLABAUGH, PRESIDENT, PROTECTIVE LIFE INSURANCE CO., BIRMINGHAM, ALA., DIRECTOR OF THE CHAMBER OF COMMERCE OF THE UNITED STATES, AND CHAIRMAN OF SPECIAL COMMITTEE ON HOUSING, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. CLABAUGH. Mr. Chairman, and gentlemen of the committee, my interest in the subject of housing is not that of one directly engaged in the housing industry or the construction industry, or the real-estate business, but as one engaged in the life-insurance business anhd loaning policyholders funds as home owners and home builders; and, of course, I also have the interest of a citizen in improving housing conditions and the removal of slums and blighted areas from our cities, especially my own city; and I am also interested as a taxpayer, although a small taxpayer, if there is such a thing in these times.

I am here as chairman of the special committee on housing of the Chamber of Commerce of the United States. My name is Samuel F. Clabaugh. I am president of the Protective Life Insurance Co., of Birmingham, Ala. I am also a director of the Chamber of Commerce of the United States.

I believe you will find the personnel of the committee of which I am chairman representative of many kinds of experience with the problems involved in housing. I would like to call the members of the committee to your attention:

Harland Bartholomew, Harland Bartholomew & Associates, St. Louis, Mo.; city planning consultant; engineer, St. Louis City Planning Commission.

M. J. Cleary, president, Northwestern Mutual Life Insurance Co., Milwaukee, Wis.

Robert L. Davison, director of housing research, John B. Pierce Foundation, New York, N. Y.

I. Friedlander, president, Gibraltar Savings & Building Association, Houston, Tex.; past president, United States Building & Loan League.

Henry I. Harriman, chairman of board, New England Power Association, Boston, Mass.

Charles F. Lewis, director, Buhl Foundation, Pittsburgh, Pa.

L. A. McLean, president, Southern Trust Co., Louisville, Ky.; recently president, Mortgage Bankers Association of America.

E. O. Shreve, vice president, General Electric Co., Schenectady, N. Y.; vice president, National Electrical Manufacturers Association.

I. N. Tate, vice president and secretary, Weyerhauser Sales Co., St. Paul, Minn.

John C. Taylor, vice president, J. C. Nichols Investment Co., Kansis City, Mo.; recently chairman land developers and home builders' division, National Association of Real Estate Boards.

Ross F. Tucker, professor in charge, course in building construction, department of civil and sanitary engineering, Massachusetts Institute of Technology, Boston, Mass.

Stephen F. Voorhees, Voorhees, Gmelin & Walker, New York, N. Y.; recently president, American Institute of Architects.

John H. Zink, president, The Heat & Power Corporation, Baltimore, Md.; general secretary, Construction League of the United States; recently president, Heating, Piping and Air Conditioning Contractors National Association.

I think you will recognize that those gentlemen were representative of many groups interested in the problems of housing, and that they brought to the committee varied and extensive experience.

This committee had before it the proposals for Federal housing legislation current in 1936 and included these proposals in the analyses and investigation which it made before reaching its conclusions and presenting its report. The principles which the committee emphasized—and these principles were subsequently adopted formally by the Chamber of Commerce of the United States, are applicable to the bill which your committee is now considering. In my statement I shall be as brief as possible, passing over many points to which I might wish to refer if there were more time for discussion.

That there is a deficit in housing of proper standards for persons of the lower-income classes is fully recognized by our committee. On the basis of the calculations which we made then I would have to say that in the middle of 1937 the deficit is approximately 2,500,000 dwelling units. If during the next 10 years this deficit is overcome and we keep pace with current increases needed, something over 700,000 units will have to be provided annually.

This figure includes both rural and urban housing. Your committee's attention, I believe, is devoted to urban housing alone. Our estimate would place the requirement for urban dwelling units at approximately 400,000 a year. This includes units of proper standards obtained through remodeling existing buildings and dividing sound existing buildings into new dwellings. As for the extent of new construction, we did not reach a dependable estimate, but there would certainly have to be provided through new construction, well in excess of half of the total dwelling units needed.

The problem our committee faced was how to assure the provision of these 400,000 dwelling units a year for persons of the lower-income categories. I shall try to make clear the answer which our committee reached, at the same time referring, as far as possible, to the bill you have before you. Our conclusion was that if this great objective is to be reached there would have to be reliance upon construction and operation by private enterprise, upon action by local governments in modernizing building, sanitary, and other codes and in persistent enforcement of such regulations, and constant research by the Federal Government with widespread information about results in technical problems and methods.

THE FEDERAL GOVERNMENT

Our position is that technical and economic research with reference to housing, relatively neglected until the last few years, should be encouraged and greatly enlarged. While both private and public agencies are needed to carry on such research, this is a field of activity in which the Federal Government may well have central activities and be a central source of information for local public authorities in their formulation and enforcement of regulations that will assure proper standards with all economy consistent with sound construction and healthful conditions, and to private citizens concerned with housing.

A beginning has been made in providing for technical research in the Federal Government. While the program for carrying out the purpose of the appropriation has not yet been announced, its success will undoubtedly depend in large measure upon the ability of those directing it to extend research in this field, not only to new materials and equipment, but to new construction methods. Such a program would provide assistance to efforts of the building industry and all of its parts to provide lower-priced and better housing in the only way it can be provided widely enough to meet the objectives which all who discuss housing must have. This is through the development of the building industry itself and application of all technological advances.

LOCAL GOVERNMENTS

The standards for housing in construction, sanitation, and maintenance necessarily are set by local public authorities. The Federal Government, by supplying information, can have great effect upon the standards that are adopted and enforced. It is the part of the States to grant to their local units sufficient power for these purposes and to exercise general supervision.

COMMERCIAL AND CIVIC ORGANIZATIONS

Any action of governments to obtain results must enlist the initiative and interest of community agencies. A number of communities have building congresses, housing associations, or other representative civic organizations which interest themselves actively in local housing problems. There is evident need at the present time for a widespread local interest in residential construction and related economic and social questions. The chamber has pointed out

to its member organizations and is continually stressing that housing offers a timely opportunity to chambers of commerce and other local and commercial civic groups to assume leadership in bringing about realization of housing needs, provision and enforcement of proper standards, and provision of dwelling units and rentals consistent with the incomes of those who occupy them.

Of first importance in this connection is the community's needs for dwelling units for the lower-income classes and how to meet those needs—by rehabilitation of existing housing so far as it is structurally sound and desirably located and by construction of new units and their types, both from the point of view of those who will use them and from the point of view of community planning. This means calling upon local planning commissions and the assembling of all possible data. Information needed will include data showing whether shift of population to suburbs is desirable or there is an uneconomic drain of population to suburbs, data on the operation of zoning, fire, sanitary, and building-code ordinances, on the practicability of recreating neighborhoods in blighted districts by taking measures which would provide a stimulus to property owners to modernize and improve their properties, or the desirability of turning blighted and slum areas to other uses, including recreational uses.

We find an increasing interest on the part of local civic organizations in this problem. This is encouraging, because there is no substitute for an aroused, enlightened and organized local public opinion, if sufficient and continuing results are to be obtained in better housing and more of it.

PRIVATE INITIATIVE AND ENTERPRISE

The function of private enterprise in the housing field, as in other fields, is to provide the consumer with a better product at a lower cost—in this instance with the quality of the product conforming to standards set by the public.

There is evidence from the lumber and other material manufacturers that a reduced price range is being accomplished for families with incomes from $1,500 to $2,500 who can afford to purchase or rent dwellings costing from $3,000 to $5,000. Studies show that families with even lower incomes than this are not infrequently owners of homes in smaller communities. Normally families in middle-income groups have lived in decent second-hand houses, which they have purchased or occupy as tenants.

New housing is now being brought within the reach of middle-income classes. As progress is made there will be widespread benefits economically and socially. As progress continues there will be additional and steady employment.

This we believe is the critical point of the housing problem, for accomplishments here mean corresponding accomplishments where they are most needed, in housing for the lower-income groups, including families with incomes so low that they have to have rental assistance.

FOR FAMILIES UNABLE TO PAY AN ECONOMIC RENT FOR DECENT DWELLINGS

Much confusion in consideration of the housing problem, we believe, arises from a false assumption that the lowest-income groups can be housed only in new housing. The result is an inclination to think that slum clearance and the building of Government-subsidized new dwellings for the lowest-income groups are inseparable. In reality there is no essential relationship between these two proposals. Slum clearance is one thing and the building of new housing is quite distinct and independent from it. In may cases slum areas once cleared should not be again built upon for the housing of low-income groups.

Local governments, we believe, should be persistently encouraged to undertake to clear slum areas. They should provide adequate legislation and adequate enforcement to compel the razing of insanitary and unsafe dwellings or even of whole areas where housing is predominantly insanitary and unsafe. Such a program at this time would do much to stimulate the building by private enterprise of new housing for persons in middle-income groups. Into the acceptable, second-hand housing vacated by such persons, the dwellers in present unsafe dwellings would move.

The objection that the destitute and unemployed cannot afford this left-over housing is not a valid one because it is the duty of government to find adequate shelter for its unfortunate citizens. The most effective way to do this is through direct assistance to the rent of such families. Such assistance should be provided like other forms of relief for such families, that is, by local relief agencies and for individual families. Shelter is just as essential as food, clothing, and medical care.

The approach here suggested to the problem of the slum and of the poorest families puts a premium not on dependency, but on self-dependency. It is a program which can be realized through properly organized community programs, concerning which more was said previously.

The main difference between our approach to this problem and the approach of this pending bill, as we see it, arises in connection with the problem of handling the poorest families. We do not believe government should build publicly owned houses in order to improve the conditions of the poorest families, because it is inconceivable that the public can in this way supply anwhere nearly the housing required and we believe that such a process will restrain private efforts on which we must rely if accomplishment over the next 10 years is to meet requirements.

Our experience to date with publicly owned and operated dwellings bears out this statement. It is common knowledge that the housing projects of the Housing Division of the Public Works Administration are not predominantly rehousing families that are living in slum areas but are providing dwellings for families in the income groups above these poorest families. I am going to quote from a recent article by Dr. L. M. Graves and Alfred H. Fletcher, superintendent, and sanitary engineer of the department of health, Memphis, Tenn.:

> According to the housing survey, it appears now that approximately 60 percent of the renting population of Memphis cannot live in dwellings meeting the Federal minimum standards. This statement is based on the fact that 60

percent of the population pay less than $13.50 a month rent for the entire living unit, which is considerably less than rents being charged by Federal housing projects completed elsewhere. A certain percent of these are able to secure, for this rent, satisfactory houses when judged by the local health department minimum housing standards. A large percent of the colored occupant-owned houses are far below the minimum standard of housing and the monthly payments on them are less than $13 a month. It is admitted by many that private capital could organize limited dividend housing corporations, or the equivalent, by pooling the resources of a group of property owners in a completely dilapidated slum area, and furnish sanitary minimum standard housing for a lower-income group than is provided for by the Federal projects in Memphis. Land in the slum areas is worth very little, being undesirable property for business or industrial development, and because the value of the property depends on the type of housing around it. In addition, in some cases second-hand material could be used, and certain standards adopted by the Federal P. W. A. Housing Division, such as the central heating plant, all fireproof material, expensive foundations, etc., might be left out, as well as other savings possibly by private capital which totaled together, may more than offset the subsidy of the Government.

Many dwellings can be properly maintained through remodeling and modernizing of plumbing, etc., in order to meet minimum housing standards, and charge less rent than would have to be charged by the Federal slum-clearance projects. The Federal slum-clearance projects in Memphis will serve as a stimulus and a demonstration which has already helped to arouse a general interest and support of the housing program in Memphis. Two dilapidated insanitary slum areas have been completely razed to make way for two Federal low-cost housing projects.

Unfortunately, I do not think that has been the experience in every case, that the housing project removed the slum area as it did in Memphis, but I think the statement of these two authorities as to the percentage of the population which can take advantage of subsidized housing is significant.

There is no reason to assume that a new Federal housing authority would do any better than the Public Works Administration Housing Division. The fact is, and it might as well be frankly faced in the interest of these poor families directly concerned as well as in the interest of initiating programs which will get the desired results, that this problem is an exceedingly complex one, involving the present level of incomes and the possibilities of raising them, the habits and social backgrounds of the families living in slum areas and the possibilities of changing these through education, and the ability at any given period to finance needed improvements, sanitary, and other health measures.

The problem cannot be simplified. The attempt to do it by providing large sums, as this pending bill would, for publicly owned apartments or single-family dwellings, will inevitably have demoralizing effects upon soundly conceived community efforts to rehabilitate and rebuild blighted and slum areas and to improve the condition of destitute and semidestitute people.

To summarize, in conclusion, our objection to the bill is that it does not solve the slum problem; it does not provide housing for the people who are unable to provide it for themselves, and does not encourage, but is deterrent to private enterprice, through which local housing needs can be fully met.

If legislation is to be enacted, we hope that it will be amended to accomplish these objectives. A delay of a few months would seem to be warranted in a long-time program of this sort, to make certain that the bill is pointed to the objectives which we all seek.

Mr. WOLCOTT. I understand it to be your suggestion that some provision be made in the bill for the rehabilitation of the part of these areas that may be economically rehabilitated.

For example, let me say this, to make myself clear. There may be areas in which part of the dwellings are considered uninhabitable. Some of the buildings may have very good foundations and very good walls, and might, at a reasonable expense, be made habitable, to meet the standards set up by the authority. Do you think it is economical and sound that we provide the authority with authority to remodel these old buildings to meet the standards, if they can do so?

Mr. CLABAUGH. Speaking personally, and not for our committee, because that particular question was not considered, I think that would be preferable, if such an approach to the problem is provided for in the bill.

Of course, it was our committee's thought that the whole question of the rehabilitation of these areas was a local problem and that the functions of the Federal Government would be in research and widespread dissemination of information, and not in the provision of funds for either new construction or rehabilitation; that any contribution of the Federal Government to the States for relief of the people without shelter would be through rental assistance, as other relief is given.

Mr. WOLCOTT. Of course, my point is that it might be advisable for the authority to be given proper discretionary powers in that respect, so that when we take over an area, a blighted area, and find in that area buildings that might be utilized as part of the project—do you not think the authority should be given some discretion to make such use of the present buildings as might fit in that particular problem?

Mr. CLABAUGH. Do you mean the local authority or the Federal authority?

Mr. WOLCOTT. When I say the authority I mean the Federal authority.

Mr. CLABAUGH. I would think if they are going to be given authority for the new construction, they might be given discretion certainly not to destroy sound buildings if they can be modernized.

Mr. WOLCOTT. I have in mind that in several of the smaller cities of the United States, within a blighted area, there are reasonably good homes, or reasonably good buildings, and if we decide to give the Federal Housing Authority an authorization to clean up this blighted area, as the bill stands now, I wonder if they would have any discretion in the use of these good buildings that happen to be within that area.

That would, of course, contemplate that the building is of unit construction instead of large apartment houses.

Mr. CLABAUGH. It was the finding of our committee that that process is going on now by private enterprise, that sound properties are being modernized and improved, and that the enforcement of building and sanitary codes would bring about the demolition of the unfit buildings. We think that with recovery that process is going on now, through private enterprise.

Mr. WOLCOTT. That brings up another question. This rehabilitation now is being done under the Federal Housing Administration,

and some of us are wondering why there cannot be a coordination of the activities of the six agencies which have been set up in the last few years, under one head. Of course, if that were done under any reorganization plan, either one agency or the other would have authority to supervise this rehabilitation.

Mr. TRANSUE. It is your understanding that this bill is a slum-clearance bill, is it not? That is right, is it not; that it is a bill providing for the clearance of slums, especially in our large cities?

Mr. CLABAUGH. Yes.

Mr. TRANSUE. Your statement about the local communities clearing these slums was interesting to me.

Is it not your understanding, and did you say that these slums have existed in these cities, not for a few years, but probably for 25 or 30 years in some of them. Is not that your understanding?

Mr. CLABAUGH. Yes, sir.

Mr. TRANSUE. In New York City, Boston, Chicago, and Detroit and other cities the slum areas have been there for a long, long time. The local communities have done little or nothing about it up to the present time. Is not that about the size of it?

Mr. CLABAUGH. I would not think so. I think there has been some progress in our public health measures and sanitary building codes.

Mr. TRANSUE. As far as going into particular areas, the Public Health Service or other agencies are going in there and seeing to it that they clean up the slums as far as possible under existing conditions, and that has been done to some extent. But what I am getting at is this. As to these buildings which have crowded quarters, how are they to be eradicated; how are those conditions to be changed? Can you do that with the existing buildings?

Mr. CLABAUGH. Of course, that depends on the particular case. As the cost of construction is reduced the market is widened and more of the people could afford to pay for sanitary, adequate housing. That is a problem for industry, with the aid of Government research, as we have attempted to point out.

Of course, there are some slum dwellers who, perhaps, prefer that, unfortunately. But the majority of the people that are in inadequate housing are there because they do not have the means to provide for themselves adequate housing.

Mr. TRANSUE. In other words, the reason why most of the people who are in these slums are there, in your opinion, is because it is an economic condition as far as they are concerned, and a certain proportion of them, at least, have very little income at all. Is that according to what your findings have been?

Mr. CLABAUGH. Yes; of course, the percentage of the destitute and the very lowest income group has to be considered, too.

Mr. TRANSUE. Your observation has been that the local communities have been doing something about slum clearance. I would like to have you be a little specific about that, because if your investigation has shown that there has been something done about it, if you know of any specific instances showing what has been done, I would like to have you enumerate those things.

Mr. CLABAUGH. The conditions have been improved in some communities more than in others by the adoption and enforcement of codes and by an urban planning policy with reference both to slums and blighted areas.

It is a task that cannot be accomplished, of course, overnight.

It is our opinion that continuous progress can be made by the enforcement of these codes which would compel the demolition of unfit houses and provide assistance to the people of the lowest income group, enabling them to rent adequate sanitary housing, but not better housing than the taxpayers themselves might occupy.

Mr. TRANSUE. Then you say if a dwelling is uninhabitable, if it does not provide the necessary light and air, that building should be condemned.

Mr. CLABAUGH. Yes.

Mr. TRANSUE. What has been done along that line toward the condemnation of any buildings in slum areas up to this point?

Mr. CLABAUGH. I am not prepared to answer that question. I know there have been demolitions in our community.

Mr. TRANSUE. I am wondering about this. Slums have existed for how long in our large cities, within your knowledge or in your judgment?

Mr. CLABAUGH. I suppose slums have existed as long as cities have existed.

Mr. TRANSUE. They have been there for a long, long time; they are not a product then of the depression?

Mr. CLABAUGH. Not entirely. It is a problem that was aggravated by the depression.

Mr. TRANSUE. What I am trying to get at is this: What have the local communities up to this time done about slums to condemn the buildings that are unsafe and unfit? I think just the other day we had an example where human lives were lost because of a defective building, with children running across the roofs, who fell down between the buildings and could not be extracted and lost their lives as a result.

What have the local communities done about those conditions up until this time?

Mr. CLABAUGH. Primarily, what they have done, I think, is through the adoption and enforcement of codes. Of course, in some communities they have provided through relief agencies a means of purchasing shelter.

Mr. TRANSUE. As to the relief agencies in the purchasing of shelter or rent relief, has not a considerable amount of that rent been paid to landlords in these various slum areas?

Mr. CLABAUGH. Very little of it in my community. The people who are on relief occupy the houses there without paying any rent; the welfare department was unable to provide them with rent.

Mr. TRANSUE. What about New York?

Mr. CLABAUGH. I could not tell you.

Mr. TRANSUE. Is it not a fact that millions of dollars of rent relief was paid into the hands of the landlords of these various slum tenaments?

Mr. CLABAUGH. Such limited experience as I have had as the president of a lending institution shows that those properties have not paid carrying charges, much less any large returns.

Mr. TRANSUE. I think the fact has been brought out here that some of these slum properties, where there are a number of families living in one property, that the rent paid for that particular property is

greater than that paid for a like house even in a better part of town. There are four or five families in one house paying a smaller rent per room, but yet the total amount for that particular house makes it an economically good business to have these houses there.

I think Mr. McGranery brought that out in connection with some question he asked in reference to Philadelphia. So it is good business for the fellow who owns these houses to have the houses and receive the rentals.

Mr. McGRANERY. In congested areas in some districts many families occupy a dwelling and pay so much per person per room, which makes those houses more productive in income than they would be in some other locality or if the area were not congested; that is true, is it not?

Mr. CLABAUGH. Of course, we do not minimize the problem of the lack of satisfactory progress made up to this time.

Mr. McGRANERY. These conditions exist because of the housing shortage in the large cities; is not that true?

Mr. CLABAUGH. In part.

Mr. TRANSUE. My point was that if local communities have not done anything about slums up until this time, or very little toward slum clearance up to this time for one reason or another, and they have existed ever since the city became large, and, as Mayor LaGuardia says, one of the main reasons that they are not doing anything is because they have not the money, what can be expected without the Federal Government at least leading the way toward actual slum clearance?

Mr. CLABAUGH. If the Federal Government can lead the way, of course, that is eminently desirable, and we think the Federal Government can assist through research, and, where necessary, by relief. But the fact is that the communities, which are all of us, have not made as satisfactory progress as we would like. We certainly are in favor of continuing the attack on the problem.

Mr. TRANSUE. But let us attack the problem from this angle, purely from an economic standpoint, or as to which is the better business, for in every large city you have slum areas, and it is costing the taxpayers of those cities far in excess of the amount of revenues received from those particular areas, in policing, in public health, for they are areas in which communicable diseases are very apt to be started and spread, thus causing economic loss to the city and to the taxpayers of the city; and my question is whether or not it is good business on the part of the community to get rid of those particular areas.

Mr. CLABAUGH. Of course, it is conceivable, if not actually true, that the destruction of a slum area in a given community may scatter those people living in the area. If the slums are removed and new construction provided which the former occupants of the slums cannot possibly rent, we do not see that their problem has been met.

Mr. TRANSUE. I will agree with you that that is true if the slum is not cleared, but has not the experience of Great Britain been that when the children who have been living in slums have been actually taken out of those slums, and provided with modest houses that are suitable, that is, light, air, sunshine, and some possibilities in the way of recreational centers, that they have developed into far better

citizens than has been the case where these children have been allowed to grow up in those particular slum areas?

Mr. CLABAUGH. I think that we would agree that that would be undoubtedly true in any country or in any community.

Mr. TRANSUE. But has it not been good business for the British Isles, or for England, to have gone along with their slum-clearance program?

Mr. CLABAUGH. I am familiar with it only in a superficial way, and, of course, the conditions are different there. I have not tried in my own thinking to take the experience of the European countries, because I think that the conditions are so different in those countries. The best opinion that I have had is that it is hard to adopt their pattern.

Mr. TRANSUE. What would be the difference between a slum in London and a slum in New York.

Mr. McGRANERY. Three thousand miles.

Mr. TRANSUE. Yes; but I mean with respect to the children who are growing up.

Mr. CLABAUGH. I think certainly on that part of it, as I said a moment ago, that in any city or in any country, the improvement of housing, the taking of children out of the slums and putting them into better housing, would of course contribute to advancing improvements in health and education. I do not feel that this bill accomplishes that, and that is the reason that I would like to see an amendment that would limit the benefits of it to the lowest third of the population in the matter of income.

Mr. TRANSUE. Your feeling is that this bill does not accomplish that purpose?

Mr. CLABAUGH. Yes, sir.

Mr. TRANSUE. I have not heard all that you have had to say, but you no doubt made recommendations for changes, so that it would actually be a slum-clearance bill?

Mr. CLABAUGH. Yes, sir.

Mr. McGRANERY. I am sorry that I was not here when you started. May I ask whom you represent?

Mr. CLABAUGH. I am chairman of the special housing committee of the United States Chamber of Commerce, and am in the insurance business myself.

Mr. McGRANERY. And your organization is opposed to this housing program of the Government's, and has opposed it rather vigorously, has it not?

Mr. CLABAUGH. I would not put it that way. We attempted to offer a constructive program, recognizing the housing problem.

Mr. McGRANERY. I am speaking now from the standpoint of the mail that I have received from your National Chamber of Commerce. They feel that the Government should keep out of it entirely, and only make such recommendations to the communities as they could obtain as the result of their research work. That is the policy of your National Chamber of Commerce, is it not?

Mr. CLABAUGH. They also commended the efforts of the Federal Housing Administration, and the Federal home loan banks in meeting this problem.

Mr. McGRANERY. Are you familiar with the situation in these large centers where slums exist?

Mr. CLABAUGH. To a limited exitent, as we all are.

Mr. MCGRANERY. If you are, is it not true that these slums exist primarily because of a housing shortage?

Mr. CLABAUGH. I think that that would be in part true. I do not think that that is the sole reason.

Mr. MCGRANERY. Isn't it the principal reason?

Mr. CLABAUGH. Perhaps.

Mr. MCGRANERY. Perhaps? You would not say that it was?

Mr. CLABAUGH. I should think that it would be, and I think that a considerable amount of construction is going to be necessary, far more than the Government could undertake, to correct that shortage, as our estimate of the shortage indicated.

Mr. MCGRANERY. Are you familiar with the rents that people who live in these slum areas pay?

Mr. CLABAUGH. No; I am not.

Mr. MCGRANERY. You are not familiar with the rents that they pay? Do you feel that you are qualified, if that is the case, to say that a program should not be initiated by the Government if such a condition exists?

Mr. CLABAUGH. I am not sure that I understand your question.

Mr. MCGRANERY. One of the real reasons for this housing program on the part of the Government would be to afford to the people of these communities decent, proper, modest homes at proper rentals. That is the primary objective of the program. Now, if you are not familiar with the rents that people pay in the slums, do you feel qualified to say that this Government should not initiate such a program?

Mr. CLABAUGH. Well, I think that the people that are in the slums are paying less rents than they would be paying for other housing because it would be only natural that if they could get good housing of a nonslum character for the same rent they would take it.

Mr. MCGRANERY. Would you say that an eight-room house in a slum area, having an income in rentals of $160 a month, was excessive?

Mr. CLABAUGH. Yes.

Mr. MCGRANERY. Do you know that that exists?

Mr. CLABAUGH. No.

Mr. MCGRANERY. Then you are not qualified to say whether or not this Government should initiate some program to give relief to the people?

Mr. CLABAUGH. I do not understand that that was typical.

Mr. MCGRANERY. It is a part of this record here.

Mr. CLABAUGH. That an eight-room, dilapidated house was renting for $160 a month?

Mr. MCGRANERY. That is right.

Mr. CLABAUGH. Or $20 per month per room?

Mr. MCGRANERY. $5 per week.

Mr. CLABAUGH. We would invite them to come to our city and get very excellent accommodations at a very small part of that.

Mr. MCGRANERY. Where is your city, sir?

Mr. CLABAUGH. Birmingham.

Mr. MCGRANERY. Well, our chairman takes care of things down there in Birmingham.

That is all, sir.

Mr. CLABAUGH. We loan money to home owners in some 12 States, and we have no record in all of those of any property renting for a figure anything like that, even new construction.

Mr. MCGRANERY. There is a man now residing in Moyamensing, which is the county prison for Philadelphia, for doing just such a thing, and where the house collapsed and seven people were killed.

The CHAIRMAN. Thank you.

Mr. TRANSUE. Just a minute. You said that we should have more strict laws to provide for condemnation and to see that the people do not live in places which are uninhabitable. Just what suggestion would you make along that line? How are you going to get laws in communities to take these people out of uninhabitable places?

Mr. CLABAUGH. Well, that is a matter of research and education, and progress is being made in that way. We have attempted to interest in and help civic organizations and our member organizations with this problem, and many of them are very active with respect to it now. Furthermore, if any Federal legislation is to be enacted, we feel that a requirement should be made that there be the adoption and enforcement by local communities of these codes before there is any participation by the Federal Government.

Mr. TRANSUE. And, of course, you feel that if any legislation is to be enacted, that there should be something done by the local community receiving the project in the way of a contribution?

Mr. CLAYBAUGH. Yes, indeed.

Mr. MCGRANERY. We have been told here, sir, that the housing conditions in many of the large cities are permitted or tolerated by the local governments, for the reason that if the laws were strictly enforced and these houses demolished, there would be absolutely no place for the people to go, because of the housing shortage. Is that your opinion, or your experience?

Mr. CLABAUGH. It is not. Of course, there is a shortage, but a part of the shortage is because of persons doubling up. A shortage does not mean that there are that many families that are without shelter.

Mr. MCGRANERY. Where they are living two families in a room in some localities, what would happen there?

Mr. CLABAUGH. In what event?

Mr. MCGRANERY. In event, for instance, a dwelling was torn down and two families are living in one room, sharing the one room. What would happen there?

Mr. CLABAUGH. Well, I think——

Mr. MCGRANERY. And the mayor of the city says, "You cannot strictly enforce these regulations, for the reason that there will be no place for the people to go."

Mr. CLABAUGH. Then I think that the demand will bring an increase in the number of houses constructed. I think, as I attempted to point out before you came in, that the magnitude of this problem is one that is so great that I have not heard of anyone in authority who felt that the Government in itself could accomplish the whole program, or that we would not have to depend upon private enterprise. I think if we can encourage private enterprise, with the increase in demand and with the reduction of cost, and with the extension of the market to the lower-income groups, in that way sufficient housing can be provided, and that for these people who are destitute and unable to secure shelter, there should be relief.

Mr. McGRANERY. Most of the testimony here has not been along the lines that the people are destitute, but more along the line of workingmen keeping their families in improper surroundings.

Mr. CLABAUGH. As we understood it and interpreted it, the application of the plan thus far has been for the provision of new housing for people who are able to buy housing, or rent housing, at an economical rent. We have some communities in which these people are enjoying a subsidy, people who are able to provide shelter for themselves. To that extent the Government is deterring private enterprise, which we believe should be stimulated and encouraged to provide shelter.

Mr. McGRANERY. So you would defer the social advancement of this country to the benefit of private enterprise?

Mr. CLABAUGH. No; I would encourage enterprise to further the social advancement of this country.

Mr. McGRANERY. You would encourage that yourself?

Mr. CLABAUGH. Yes, sir.

Mr. McGRANERY. They have not so far.

Mr. TRANSUE. The question in my mind is this—as to what proportion of those persons who live in slums, especially in large cities, have an income from which they could provide themselves shelter at $5 a room, which would be about $20 a month for a four-room dwelling.

Mr. CLABAUGH. What proportion of the slum dwellers could pay $5 per room?

Mr. TRANSUE. Yes; or $20 a month for just the shelter, without light and heat.

Mr. CLABAUGH. Of course, I suppose that any estimate there would depend upon who are included in the slum dwellers.

Mr. TRANSUE. What would you consider a slum to be?

Mr. CLABAUGH. I do not know of any available information or estimates on that, other than surveys in certain cities, such as Memphis, which I have put in the record.

Mr. TRANSUE. I say what do you define a slum to be?

Mr. CLABAUGH. Well, it is defined in the bill. Of course, I know that a slum is an area where the housing is not sanitary or adequate.

Mr. TRANSUE. The bill says that the term "slum" means—

> any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

Now, would those sections of any large city pretty well define it? You know when you get to them and when you leave them.

Mr. CLABAUGH. I think that that is so in some cities. In others I think that there are individual isolated areas——

Mr. TRANSUE. But what about the real large cities like Philadelphia, Chicago, and New York, as well as Detroit?

Mr. CLABAUGH. Of course, there you have a greater concentration and a more definite demarcation of your slum areas.

Mr. TRANSUE. Getting back to the other question that I asked you—and I do not know whether you answered it or not—is not the maintenance of those conditions as they are now an economic loss, not only to the city where they exist but to the country as a whole?

Mr. CLABAUGH. Yes.

Mr. TRANSUE. And you agree that something should be done about those conditions?

Mr. CLABAUGH. Oh, yes.

The CHAIRMAN. Thank you, Mr. Clabaugh.

Gentlemen, we will meet at 2:30.

Mr. WOLCOTT. A former Governor of Michigan, who has given a great deal of thought to housing, particularly in Michigan, has wired me concerning this bill, and I ask unanimous consent at this point to insert into the record a telegram received by me yesterday from the Honorable Frank D. Fitzgerald, former Governor of Michigan.

The CHAIRMAN. The telegram will be incorporated into the record.

(The telegram referred to is as follows:)

[Telegram]

GRENDLEDGE, MICH., *August 5.*

JESSE P. WOLCOTT,
Member, Banking and Currency Committee,
House of Representatives:

Hope you and other members of the delegation will deem it wise to support wholeheartedly the Wagner-Steagall low-cost housing bill. While Government subsidy for individual home-building enterprises may not be in accordance with the American ideal of individual responsibility, we nevertheless face the inescapable fact that our present economic system has failed to provide decent homes for many thousands of deserving, industrious citizens. This is not time to be searching for the reasons for this failure. It is time to find a practical short cut to the solution of the housing problem, particularly as exists in Detroit and other industrial communities. When men who work conscientiously are denied the opportunity to provide decent shelter for their wives and children, we cannot afford to waste time in hair-splitting arguments or tedious inquiry. What these citizens need at once is homes that can be obtained within the reasonable limits of their incomes. To those who raise the objection that Government financing departs from the American ideal, I would say that the mere thought of evicting a family, or of families searching futilely for a place to live is more repugnant to all ideals of Americanism and humanity than any argument based upon historical facts or theories of Government. It would be better, far better, if all deserving people could finance homes privately. The economic system under which we operate has failed to give them this rightful opportunity, it appears to me that there is no other course to follow but to enact the Wagner-Steagall bill as speedily as possible. Some day, when a proper balance has been struck between wages and cost of living, a measure such as this one will not be necessary. Until that day comes, it must be apparent that the Government must provide this essential service. It must be so or stand charged with a failure to protect and preserve the family life of America.

FRANK D. FITZGERALD.

Mr. McGRANERY. It seems as though I left the impression yesterday afternoon with some people that I believed that the P. W. A. had created some extravagant houses in their program, or built houses of extravagance. I do not want to appear in that light. I do not think that they have. I think that they have done a very good job, and in the one particular project that I have seen, there is nothing extravagant, but the houses are rather modest and substantial. So I would like to correct the record as to that.

The CHAIRMAN. Very well.

(Thereupon, at 12:30 p. m., a recess was taken until 2:30 p. m.)

AFTER RECESS

2:30 o'clock p. m.

Upon the expiration of the recess, the hearing was resumed.

Present: Messrs. Steagall (presiding), Hancock, Williams, Meeks, Ford, Brown, McKeough, Evans, McGranery, Luce, Crawford.

The CHAIRMAN. I do not have to introduce Congressman Beiter, whom we will ask to proceed in his own way.

STATEMENT OF HON. ALFRED F. BEITER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BEITER. Mr. Chairman and members of the committee, during the discussion in the Senate of the Wagner housing bill and in the hearings held by this committee on similar legislation serious criticism has been directed at the proposal because it did not provide adequate safeguards to prevent a wasteful expenditure of funds on the housing projects and excessive costs in their construction which would result in unit costs per room entirely too high to afford housing to those who need it most.

In these discussions, attention has been called to the excessive costs of housing projects administered by the Resettlement Administration, such as the Greenbelt project in nearby Maryland, the project in Virginia, and others. I wish to call the attention of the Members of Congress to the fact that the procedure used by the Resettlement Administration wherein no guaranty was given of the maximum total cost, exposed the Government to wasteful practices and inefficiency because in the first instance they did not know definitely what the cost should be and had no way in which to keep the costs within their expectancy.

A comparison of the actual results obtained and the public's satisfaction with the work carried on by the Resettlement Administration and the work accomplished by the Public Works Administration, for instance, would demonstrate clearly that our own experience in these matters has proven conclusively that if Federal funds are to be expended for construction in the most efficient and economical manner, with the lowest administrative and construction costs, with the highest quality, and with the definite knowledge of what the final cost will be and the date when projects will be completed, this can best be accomplished by the methods used by the P. W. A. and the regularly constituted departments of the Government which require the preparation of complete plans and specifications, the receipt of competitive bids and the award of contract to the lowest responsible bidder.

Under the terms of the housing bill as it now stands the United States Housing Authority created thereunder would make loans and grants to housing agencies of local units of government. The Public Works Administration, since 1933, has made loans and grants to local units of government for construction with most satisfactory results. It seems to me that in the interest of economy alone the loans and grants to be made under this bill should be expended under a similar procedure to that used by the P. W. A.

For every dollar wasted on these projects, the occupants must pay interest for 60 years. For every item of inferior or faulty construction these occupants must, for 60 years, pay excessive costs of maintenance and replacement. For every million dollars wasted at a cost of $4,000 per unit, 250 low income families are deprived of their opportunity to occupy such housing and it has been indicated that the cost of the project at Greenbelt per four-room unit runs around $17,000 and is still mounting.

During the same period of the emergency in which the Resettlement Administration undertook its costly projects the Public Works Administration, confronted with the same requirements to provide emergency employment, administered billions of dollars' worth of construction projects which are acknowledged by the public as being efficiently and economically developed and constructed. It would seem, therefore, that the method used by the P. W. A. in its construction program would be preferable in any new housing development to that used by the Resettlement.

To neglect to safeguard both the economy of cost and the highest quality of construction would be placing upon the shoulders of already heavily burdened occupants an additional burden which will continue long after the Members of this Congress have passed on. It is our duty to place in this measure provisions that will require the most efficient and economical procedure so that this procedure may not be set aside from time to time by the expediency of some temporary situation and cause needless burdens to be placed on several generations of occupants.

In order to safeguard this new housing venture from the just criticism which the Resettlement Administration has experienced, and to offset and overcome any possibility of waste and extravagance in Government funds, I propose that the measure be amended to contain specific provisions whereby the general construction requirements are outlined for all projects undertaken under the authority of the bill. I suggest that in the interest of economy the Housing Division of the Public Works Administration be made a permanent part of the Interior Department and be named to administer the provisions of the bill in lieu of the United States Housing Authority to be created under the present terms of the bill. I respectfully suggest that there is no need for the Government to set up another agency to administer this act, and call attention of the Congress and members of the committee to the fact that the P. W. A. Housing Division was organized to promote the program of low-cost housing and slum-clearance projects authorized by the National Industrial Recovery Act, with a view to providing low-rent housing for lower-income groups for which fit accommodations were not then available. Its aims and purposes are identical with those sought in the terms of the bill now before us.

The present set-up has been very successful and can without any difficulty, change, or loss of time take over the administration of this act. It would be an economy move and in line with the reorganization program. To set up a new authority at this time would require additional funds for personnel and overhead requirements and all of this would consume much time. I believe the people of this country would be thoroughly in sympathy with any movement on the part of Congress to eliminate bureaucracy and to avoid the creation of any new expensive Government agencies. We have already in existence

a properly constituted Government agency whose duties in the past have been identical with the work to be undertaken by this bill.

A study of local housing problems has been made by the Housing Division of P. W. A. and all of the material they have on hand will be useful in the new program. This agency has for the past 4 years been utilizing emergency funds for the creation of useful permanent low-cost housing projects against which there has been no charge of excessive costs or wastefulness.

I hope the Congress will consider my suggestions in order that the funds to be made available for this much-needed slum-clearance program may be safeguarded and used to the best possible advantage, both to the Government and the people for whose benefit it is to be spent.

Now, Mr. Chairman, I have just been informed that the Senate has already voted, by a vote of 40 to 33, I believe, to carry out one of the suggestions that I make in this statement; that is, instead of having the Housing Authority, to have it administered by the Department of the Interior. I am very happy that the Senate saw fit to do that, and I hope that this body will do the same.

I thank you.

The CHAIRMAN. We thank you.

Mr. HANCOCK. Just a question or two.

You have referred to the method in which public housing has been carried on by the P. W. A. and you made some comparisons of their operations with the operations carried on under the Resettlement Administration. Can you tell us how many projects which have been undertaken by the housing division of the Public Works Administration during the past 4 years have been completed and are now occupied?

Mr. BEITER. I cannot give you the exact number. It is my understanding that there are at least seven that are now occupied.

Mr. HANCOCK. Is it not a fact that there are only four completely occupied?

Mr. BEITER. If you mean those that are occupied 100 percent—is that what you have in mind?

Mr. HANCOCK. Yes.

Mr. BEITER. You may be right in that.

Mr. HANCOCK. What is the basis of rent?

Mr. BEITER. There is one project in the district adjoining mine, called the Kenfield project, and there, I believe, there is an arrangement that they make with the city of Buffalo that a certain amount be charged as a service charge, that is, for fire protection, police protection, and so forth, and the city of Buffalo has not as yet fixed that amount, but——

Mr. HANCOCK. Buffalo is in your district?

Mr. BEITER. Buffalo is in my district, but the city of Buffalo is divided into three congressional districts, the Fortieth, the Forty-first, and the Forty-second, and this project that I refer to is the Fortieth District, which adjoins mine.

Mr. HANCOCK. How many of these projects have been constructed for the Negro race, and how many for the white race?

Mr. BEITER. In my district, or in all?

Mr. HANCOCK. Under the housing division of the Public Works Administration.

Mr. BEITER. I cannot answer that. I do not know.

Mr. HANCOCK. Do you know how many are under construction?

Mr. BEITER. No; I have not those figures with me.

Mr. HANCOCK. Do you know how many dwelling units are provided for by their program?

Mr. BEITER. In the one project that I referred to, there are 628, and they average, in all the projects, around 600 units.

Mr. HANCOCK. Do you know how many people could be housed under their housing program?

Mr. BEITER. They figure four to the unit.

Mr. HANCOCK. Do you know how many people have actually been housed by the Housing Division of the Public Works Administration during the past 4 years?

Mr. BEITER. I do not.

Mr. HANCOCK. Do you know how much money they have expended?

Mr. BEITER. Several millions of dollars.

Mr. HANCOCK. What?

Mr. BEITER. Millions of dollars.

Mr. HANCOCK. Is it not a fact that they have spent $136,000,000, or have contracted to spend it?

Mr. BEITER. That is right; they have contracted to spend it. That much has not been actually expended.

Mr. HANCOCK. Do you know what has been the average cost per dwelling unit?

Mr. BEITER. I can only refer to the one that I am familiar with, and that is the one which adjoins my district. The 628 units there, including property and all, cost approximately 4½ million dollars.

Mr. HANCOCK. I am wondering if it is not fair to state that your recommendation of the Department of the Interior as the proper agency to handle this program is based largely upon your personal friendship for the Secretary.

Mr. BEITER. No.

Mr. HANCOCK. It is not?

Mr. BEITER. No; it is not.

Mr. HANCOCK. You evidently have not informed yourself as to what they have been able to do, have you?

Mr. BEITER. I have the figures and have the records, but I have not them with me and cannot give them to you now.

Mr. HANCOCK. I am not saying that to embarrass or offend you at all, but it seemed to me that you took particular pains to make an invidious comparison between the building program of the Resettlement Administration and that of the Housing Division of the Public Works Administration in order to reenforce your argument that this program should be placed under the Secretary of the Interior.

Mr. BEITER. Had I had any knowledge that you wanted some definite information as to the number of projects that were constructed and the cost and the number of persons occupying them at the present time, I would have been prepared to give it to you; but, of course, I am only familiar with that one project and have made a comparison of the project located in the Fortieth Congressional District, which adjoins my district, and the one out here at Greenbelt, that I am familiar with.

Mr. HANCOCK. How much did the one near your home cost?

Mr. BEITER. Four and one-half million dollars.

Mr. HANCOCK. How much is that per dwelling unit?

Mr. BEITER. Six hundred and twenty-eight families will occupy that project.

Mr. HANCOCK. What is the rental per room?

Mr. BEITER. The rental per room, based upon the amount of the service charge that the city of Buffalo will make, has not been definitely established yet.

Mr. HANCOCK. Under this bill as it is proposed, together with the provisions of the George-Healey bill, the Public Works Administration can charge off 45 percent, and the project then becomes available for subsidies for 60 years in order to insure low-rent housing; is that correct?

Mr. BEITER. That is right.

Mr. HANCOCK. What would you think of a five-man board, independent agency, to handle this program?

Mr. BEITER. I am not for creating any new agencies whatsoever, and I think that it is not in line with the President's wishes. I think that in his Government reorganization he wants to consolidate rather than to expand. You have been a Member of Congress long enough to know that when an agency is created it starts out just asking for a few things, and as the years go on it expands and grows, and in time it is a huge bureau.

Mr. HANCOCK. I agree with you, Mr. Beiter, and I have been a Member of Congress long enough to also know that it is probably not a wise thing to turn over to one man a huge sum of money to be expended according to his sole judgment. Do you agree with that?

Mr. BEITER. I agree with that; yes.

Mr. HANCOCK. And in order to keep the record straight, I want to make it very clear that, in my opinion, the present Secretary of the Interior is as able and honest an administrator as I have ever seen holding public office.

Mr. BEITER. I think that that was evidenced during the last campaign. Even the most antagonistic opponents in the press had nothing to say about the Secretary of the Interior, the Interior Department, or any of the projects that were constructed under his supervision in the 4 years' time.

Mr. HANCOCK. I am just wondering why, at this late hour, so much pressure has been brought to bear on us with respect to where the agency will land. I was hoping that you had come here to give us an intelligent appraisal of the provisions of this bill. We are seeking light. I do not think that it will be hard for us to find out the best place to lodge the program for its administration.

I just wanted to express myself that way, not speaking, however, for any other member.

Mr. MEEKS. You said that during the campaign there was not any criticism leveled at the Secretary of the Interior—is that correct?

Mr. BEITER. That is correct.

Mr. MEEKS. You did not read the Chicago Tribune, did you?

Mr. BEITER. No; but I did read the Buffalo Evening News, and I know very well that the Buffalo Evening News and the Chicago Tribune are pretty much on a par.

Mr. MEEKS. The Tribune has over 800,000 circulation, and it had a lot to say. I can prove that by my friend McKeough over here.

Mr. FORD. Can you tell us what the land in your project cost?

Mr. BEITER. The land at the Benfield project that I referred to cost around $600,000.

Mr. FORD. And the cost per unit would be something over $6,000?

Mr. BEITER. The cost per unit would be something over $6,000; yes.

Mr. FORD. What do they rent for?

Mr. BEITER. That has not been established. The administrator, or the overseer, or manager, has just been appointed within the last 2 weeks, and the city council was to have acted last Tuesday on the service charge. They cannot establish the rental basis as yet, until they determine what the city will charge them for the service charge.

Mr. MCKEOUGH. Would it be fair to ask the distinguished Congressman from Buffalo if he had anything to do with the selection of the manager?

Mr. BEITER. I had nothing to do with the selection of the manager; no, sir. I recommended the manager, along with 8 or 10 other men that had asked me to send in a recommendation.

Mr. MCKEOUGH. I just wanted to know if you selected him.

Mr. BEITER. No; that is entirely up to the administrator and the Secretary, and I think that it properly should be with the Secretary.

Mr. MCGRANERY. Mr. Hancock asked you if you knew the number of projects that were either under course of erection or already erected for Negroes as distinguished from whites, and you said "No." You are familiar with the project in Buffalo?

Mr. BEITER. That is right.

Mr. MCGRANERY. Is that a project for whites or for colored?

Mr. BEITER. White.

Mr. MCGRANERY. You are also familiar with the project over here?

Mr. BEITER. At Bennington?

Mr. MCGRANERY. That is right. Is that a project for whites, or for colored?

Mr. BEITER. That will be for the whites. It had been my impression that it was going to be for colored, but I asked the Secretary about that on one occasion.

Mr. MCGRANERY. So that the only two projects that you are familiar with have been erected for white people?

Mr. BEITER. That is right.

Mr. HANCOCK. I would just like to make one other statement apropos of the statement made by my friend from Philadelphia, and that is that I believe any program we work out should be applicable to all our people who can qualify as being in the lowest income class, regardless of race, color, or creed.

Mr. BEITER. I agreed with you, and if this bill is passed, I think that that will be amply taken care of. I think that in the city of Buffalo there is necessity, in my own district, for a project in the colored area.

Mr. FORD. Probably no race that we have is more handicapped than the colored race, and they ought to be given some edge, because they certainly are laboring under a handicap, whether they live north, south, east, or west.

Mr. BEITER. Just what do you mean by an edge? Do you mean that they should be given additional funds, or additional grants?

Mr. FORD. I think that a pretty good proportion of the sum ought ought to be allocated to them, because they have great difficulties in securing housing, even where they are economically able to pay for it.

Mr. BEITER. That is true, but I do not believe that they should be given a special privilege.

Mr. FORD. They should be given an even break, which would, in fact, be an edge for they are usually discriminated against.

Mr. BEITER. I grant you that, an edge over what they usually get, because they do not usually get an even break.

Mr. WILLIAMS. I did not get the figures on the project that you are familiar with in your own district. What did you say that cost?

Mr. BEITER. $4,500,000, including the land.

Mr. WILLIAMS. How many units are there in it?

Mr. BEITER. Six hundred and twenty-eight.

Mr. FORD. About $7,326, on the whole. I have figured it out.

Mr. WILLIAMS. That is over $7,300 per unit.

Mr. FORD. Including the land.

Mr. WILLIAMS. What do you think that that ought to rent for, per room?

Mr. BEITER. What it should rent for per room?

Mr. WILLIAMS. Yes; based on that investment.

Mr. BEITER. Based on the investment, it should run about $6.50—between $6.50 and $7 per room.

Mr. WILLIAMS. That would make $25——

Mr. BEITER. For a four-room apartment.

Mr. WILLIAMS. For a living unit.

Mr. BEITER. Of four rooms, yes. In this project, it is my understanding that they have from two-room apartments up to five-room apartments.

Mr. WILLIAMS. That would be with the service charge?

Mr. BEITER. That would be without the service charge. The service charge won't be very much. It will be approximately $6,000 a year, according to my understanding.

Mr. WILLIAMS. Do you think that that is a fair income on an investment of over $7,300, $25 a month rent on it?

Mr. BEITER. Well, we have to do something to take care of these people who have incomes of $1,500 and less, and if we are to subsidize them, it is better to subsidize them in that way than it is to have them on the relief rolls and not get any return from it.

Mr. WILLIAMS. Do you think that would take care of a man with an income of from $600 to $800?

Mr. BEITER. No; it would not.

Mr. WILLIAMS. How low can you come with it?

Mr. BEITER. Any man with an income of not more than $1,500 is eligible for the project.

Mr. WILLIAMS. How low can you come with it?

Mr. BEITER. The rental that a man pays should be one-fourth of the amount that he earns per month, one-fourth of his salary. That is what they usually figure.

Mr. WILLIAMS. You could not go below $1,200, then, could you?

Mr. BEITER. Hardly.

Mr. WILLIAMS. It would simply cover those between $1,200 and $1,500. Do you know how many families there are in this country with an income under $1,200?

Mr. BEITER. No; I do not.

Mr. WILLIAMS. Just about half.

Mr. BEITER. Under $1,200 per year?

Mr. WILLIAMS. Yes.

Mr. BEITER. I think that your figures are a little bit wrong. You say 50 percent?

Mr. WILLIAMS. Yes.

Mr. BEITER. No; I think that your figure is a little bit high. I have the figure, but I do not recall what it is.

Mr. WILLIAMS. The buildings under the P. W. A. and the plan that they have adopted would not reach anybody that this bill is intended to reach, would it?

Mr. BEITER. No; I do not agree with you there, because I think that the first units that were constructed under the P. W. A. probably ran a little bit higher because of the set-up of the organization and getting the personnel together, and so forth. Now they have an organization set up, and it is like any other unit that is constructed; that is, the more that are produced, or the more that are built, the less the cost.

Mr. MCGRANERY. In other words, their initial outlay in getting this thing going was the heavy cost.

Mr. BEITER. That is right; and then, too, in some cases they have had some difficulty in obtaining the sites, and had condemnation proceedings, and had to have State legislation passed, and they were confronted with a great many difficulties.

Mr. WILLIAMS. I am not especially criticising what they have done, but I do think that they have not constructed the kind of buildings so far that would render any aid, in my judgment, to those intended to be covered by this bill.

Mr. FORD. I do not believe that when the P. W. A. started on this program it was strictly a slum-clearance proposition.

Mr. BEITER. It was low-cost housing. It was not slum clearance.

Mr. FORD. It did not come within the purview of this bill. It had other objectives, as increased employment principally.

Mr. BEITER. That is right.

Mr. HANCOCK. They did have as one objective clum clearance, because out of the 51 projects which they have undertaken, 27 involved slum clearance, but they were more interested, to start with, with unemployment than with housing.

Mr. BEITER. I think that that was the intent of Congress, too, that it would be to take care of unemployment.

Mr. HANCOCK. I am not criticising them. It was largely experimental. My remarks were made primarily to show that I, for one, do not like the pressure that has been brought on me, as a member of this committee, by good men like you, to tell me what to do.

Mr. BEITER. That was not my intention, my colleague, to put pressure on you.

Mr. HANCOCK. It also sounded to me like a lecture on economy. Probably you did not intend to leave any such impression——

Mr. BEITER. That was not my intention. It was merely my belief, as I stated in my statement, that it could be better administered under public works, and no pressure, I might state, has been brought on me to bring this statement to the committee here.

Mr. HANCOCK. And no suggestion was made by anyone to you to come here and make a statement? Please do not think that I am impugning your motive—I could not for anything——

Mr. BEITER. No; positively not. I have not conferred with anyone in the Interior Department in the last month or 3 weeks.

Mr. FORD. Might I go on record to say that I, myself, do believe that this work could be placed under the Housing Division of P. W. A. and save hundreds of millions of dollars in administration compared to what it would cost under the policy proposed?

Mr. WILLIAMS. P. W. A. is just a temporary organization.

Mr. BEITER. That is true. It has been extended for 2 years, until June 30, 1939, but they are to create a permanent organization of the Housing Division of the Interior Department.

Mr. MCGRANERY. If you put this bill under them, they will have perpetual life.

Mr. BEITER. Oh, yes; 60 years.

Mr. FORD. If you start to build up a new organization, you have extensive ramifications, and one-third of the amount that we would appropriate for low-cost housing would go into administration.

Mr. BEITER. And you will have to have new offices and personnel.

Mr. BROWN. Don't you think that Mr. McDonald would be an ideal man to put in charge of this housing?

Mr. BEITER. He is a very capable man.

Mr. BROWN. He is considered one of the best businessmen in America, and he has made as fine a showing as anybody has. But he does not want it.

Mr. FORD. In that connection, I am in favor of placing it in the hands of someone that has had some experience. We know that both Mr. McDonald and Mr. Ickes have.

Mr. HANCOCK. Do you think, as a matter of sound public policy, that Congress ought to vote billions of dollars in appropriations, to be spent by some person or agency accountable only to the Executive, rather than to appropriate billions of dollars to be expended by a board or agency accountable to Congress itself?

Mr. BEITER. I think that the funds that have been appropriated in the past have been accounted for to a better extent by the Secretary than they have by the Works Progress Administration.

Mr. HANCOCK. You are getting into a wider field than I care to enter now.

Mr. FORD. Let me say in that connection——

Mr. HANCOCK. You did not answer my question, did you?

Mr. FORD (continuing). That there is not a single reason why a housing agency, either under P. W. A. or F. H. A., could not be made accountable to Congress.

The CHAIRMAN. Mr. Luce has some questions to ask.

Mr. LUCE. Is the housing commission of the Interior Department inside the classified service?

Mr. BEITER. No.

Mr. LUCE. Do you think that it ought to be?

Mr. BEITER. Yes, sir; I think that it should be. If you are going to have a long-range program, then at least I think that it should be in the classified civil service.

Mr. LUCE. That is all.

The CHAIRMAN. All right; we thank you very much, Mr. Beiter.

Mr. BEITER. Thank you.

The CHAIRMAN. Mr. deHoll, will you take a seat, please, sir? Give the stenographer your name, your connections, and so forth.

STATEMENT OF J. C. deHOLL, CHAIRMAN, HOUSING AUTHORITY, BIRMINGHAM, ALA.

Mr. DEHOLL. My name is J. C. deHoll and I am the chairman of the housing authority of the Birmingham, Ala., district.

Mr. Chairman and gentlemen, I came here to represent the Birmingham Housing Authority. I am director, and I appear before this committee for the municipal government of Birmingham to tell you that we are very much in favor of the principle underlying this bill. We are in favor of the annual subsidy for housing.

When in the beginning I said that we are in favor of this bill I mean besides the housing authority of Birmingham all of the agencies, organizations, and individuals that interest themselves in social, civic, and human betterment.

Mr. MCGRANERY. You disagree with your townsman who testified here this morning on behalf of the chamber of commerce?

Mr. DEHOLL. As to the Chamber of Commerce of Birmingham, while I have not contacted them on this particular bill, I have every reason to believe that they are in favor of low-cost housing for those people that cannot afford it now, in that they solicited the President of the United States last year to secure for Birmingham a low-cost housing project for white people.

Mr. MCGRANERY. You heard the testimony of our distinguished friend from Birmingham this morning, did you not?

Mr. DEHOLL. I did.

Mr. MCGRANERY. You heard him say that there was no need for any low-cost housing program in Birmingham, did you?

Mr. DEHOLL. I did.

Mr. MCGRANERY. Then he is wrong? He is in error, in your judgment?

Mr. DEHOLL. I will be glad to show you——

Mr. MCGRANERY. But he is in error, in accordance with your judgment?

Mr. DEHOLL. Yes, sir.

We have somewhat of a different picture to present in Birmingham's case, in that Birmingham is a very young industrial city. It is only about 66 years old. It was chartered in 1851. It is a city of great natural beauty. It is now composed of some 11 or 12 municipalities that were brought together in 1910 by an act of the Alabama Legislature. Each of those municipalities has its own seat of government, its own business section, its own residential sections, good or bad. The city covers an area of 52 square miles, with a population of 280,000 people, 38 percent of which are Negroes.

A recent survey undertaken by the Jefferson County Board of Health—the Jefferson County Board of Health and the city of Birmingham's board of health being the same thing—developed that there were in Birmingham 22 distinct blighted areas, covering 817 city blocks. In addition to that, there are some 200 city blocks in which some 3,000 families live that way in small groups of 1 or 2,

but the survey does not concern itself with those 200 blocks. It concerns itself only with the 817 blocks which comprise the said 22 blighted areas. Of these blighted areas, 9 of them are white and 13 Negro.

It might interest you, gentlemen, to tell you gentlemen just how that survey was originated and how we located and designated those 22 blighted areas. The question has been asked here several times while I have been sitting here as to what constitutes a slum. Now, the manner in which this survey originated might throw some light on that subject.

They took a zoning map of the city of Birmingham in colors about the size of this table. Then there was another map constructed of identically the same size of very thin, transparent paper, on which the board of health indicated every case of tuberculosis within the city. That was laid on top of the base map. Then another map of the same kind of transparent paper was put on, and all of the communicable diseases were marked in dots on that map, and so on through all of those various bad conditions that existed in the way of disease, in the way of community toilets, in the way of delinquencies, a separate map being constructed for each; and all of those 14 or 15 various maps were spread over this base map, and then, after they had done that, when you looked down upon that map you could see these great clusters of black spots coming through that transparent paper, and those areas in which those black spots were thickest were marked, and then a house-to-house canvass was conducted through money furnished by the W. P. A., but under the direction of the Jefferson County Board of Health, to find out just exactly what the conditions in those various areas were; and that is how we arrived at the fact that those areas were blighted.

Those 22 blighted areas are 817 city blocks, covering an area of 9 percent of the total city area, in which live 7,505 white people and 52,493 Negroes. Fifty-one percent of the Negroes in Birmingham live within those 22 blighted areas, or a total of 16,381 families in all, with 23,662 children.

It would be rather remarkable if all those 23,000 children would remain during the balance of their lifetime in Birmingham; but if they follow the usual procedure, they will spread all over the country, and they are going to take with them the influences under which they were born and bred.

Sixty-five percent of all of the abnormally located houses are within these 22 blighted areas; 4,425 community toilets, or 85 percent of all of the community toilets in Birmingham, and 15,666 units, are without bathing facilities of any description; 8,440 families use kerosene for light.

(At this point the chairman made a suggestion to the witness off the record.)

Mr. DEHOLL. I would like to leave this survey with you, which has the distinction that it has been declared accurate.

The CHAIRMAN. You do not want all of that in the record?

Mr. DEHOLL. No; but it is for your information, because it is the only form that I have it in; and if you will permit me to point out to you one element of the situation, it is the necessity for housing that exists in Birmingham.

Mr. MCGRANERY. I think that we are all agreed that there is need for a housing bill; but what we want to find out is just what you think about the present bill and what recommendations you could make that might refer to the bill.

Mr. DEHOLL. Mr. Chairman, there is one thing in that connection that I would like to stress, now speaking practically of the bill, and that is that we have in Birmingham a shortage right now of some 6,900 dwelling units, so, on the question of demolition, we cannot do it. The situation is bad enough without abolishing any other dwelling units.

Now, we feel that there should be an obligation on the part of the municipal government and that it would be well to require the strengthening of building codes and sanitary laws, which, of course, eventually will eliminate the slums.

That is the only suggestion that I can make, Mr. Chairman.

Mr. FORD. Do I understand that what you suggest is that when this bill is passed it should provide that before an allocation is made the laws of the city should be made to conform to specific structural and sanitary practices?

Mr. DEHOLL. That is right, and that none of those buildings that exist now can ever be built again.

The CHAIRMAN. But you do not want to clear out any of the slums that you have?

Mr. DEHOLL. We cannot do it. We have not room enough for our people to live there now.

Mr. HANCOCK. You do not believe in the slum-reclamation project, do you?

Mr. DEHOLL. Well, I do not know that I exactly understand what you mean by that.

Mr. HANCOCK. That is the heart and the philosophy of the whole program.

Mr. DEHOLL. They should be eliminated, that is true, but they should be eliminated gradually.

(Statement of J. C. deHoll, chairman of the housing authority of the Birmingham district, as follows:)

SUPPLEMENTARY STATEMENT OF J. C. DEHOLL, CHAIRMAN OF THE HOUSING AUTHORITY OF THE BIRMINGHAM DISTRICT

To the House Committee on Banking and Currency:

In addition to what I have verbally told the Committee on Banking and Currency of the House I wish to submit the following further information for the record.

Delinquencies in the 22 blighted areas of our city number 3 to 1 as compared with those in the balance of the city; petty crimes 2 to 1; 50 percent of all the major crimes committed in Birmingham in 1935 were traced directly to people who lived in those blighted areas. In that year there were 392 major crimes committed in our city, of which 185 were committed by the inhabitants of the blighted areas; county hospital patients living in some of these blighted areas number as high as 757 per each 1,000 population; infant mortality is twice as high in the blighted areas as in the balance of the city; illegitimate births 3 to 1 and tuberculosis 2 to 1.

The total revenues derived from the blighted areas amounted to only 6 percent of the city's revenue total, or $317,000. For law enforcement alone the city spent $173,000; for public health the city spent 22 percent more per capita in the blighted areas than in the balance of the city.

For all municipal services the city spends three times as much in the blighted areas as the total revenue received from them; total revenues, $317,000—expenditures, $1,104,000.

Including money spent by relief agencies, uncollected taxes, etc., we have this picture: Total revenues received from the blighted areas, $317,000; total expenditures of $2,133,000, or a net loss of $1,816,000.

On a per-capita basis we find this: For every dollar of revenue received by the city of Birmingham from the blighted areas someone has to spend $3.48 to keep them going.

The most pathetic part of the whole situation to me is the complete lack of privacy for growing children as, for example, 20 families sharing 1 toilet between them and 1 water spigot.

We have an increase in population in Birmingham from 1930 to 1937 of, roughly, 32,000. New dwellings provided by private enterprise during that same period number 549. The Public Works Administration Housing Division is now building 544 dwelling units for Negroes to be completed in October. The city's contribution in this matter is: (1) Tax exemption; (2) land in closing streets and alleys; (3) new paving; (4) fire hydrants installed; (5) a contribution of $3,500 for the first year and $2,500 annually thereafter for equipment and maintenance for the community building.

The housing shortage in Birmingham is 6,950 dwelling units, to which must be added any demolitions between 1930 and 1937, including 373 dwelling units demolished to make room for the P. W. A. low-rent housing project.

Even in the depth of the depression there was a housing shortage in Birmingham, the number of vacant dwelling units at that time was 6,423, and the extra famalies sharing the homes of other families numbered 7,085.

Thus it can be readily seen that the rapid demolition of existing dwellings, bad though they might be, is inadvisable.

We would ask this committee not to make the rules governing local contributions too rigid; doing so, a great number of cities, including ours, will be deprived from receiving any material benefits from this legislation. It would be well to require the strengthening of existing building codes and sanitary laws to prevent repetition of what now confronts us.

Rents are naturally increasing and justifiably so. But they may continue to increase to peaks that are not justified as, in my opinion, private enterprise cannot and will not reenter this field until, once more it is made profitable.

Yours respectfully,

J. C. DEHOLL.

(At this point there was a roll call, and the hearing was recessed until 4 p. m.)

AFTER RECESS

The CHAIRMAN. Mr. Carnahan.

STATEMENT OF FRANK CARNAHAN, SECRETARY, NATIONAL LUMBER DEALERS' ASSOCIATION, WASHINGTON, D. C.

All right, sir, your name is Frank Carnahan, and you are secretary of the National Retail Lumber Dealers' Association?

Mr. CARNAHAN. That is right. Mr. Chairman, and gentlemen of the committee, the National Retail Lumber Dealers' Association, representing 23,000 retail dealers throughout the United States, is very much opposed to H. R. 5033 in its present form.

Under the guise of slum clearance, this bill provides grants and subsidies to encourage the building of what is termed "low-rent housing." It encourages and subsidizes the construction of housing units which will come in direct competition with what is being done by the building industry today. For the past 3 years, members of our association have been building thousands of homes in the low-cost range. Homes of good construction and quality materials have been purchased on monthly payments of $20 and $25 per month. Our industry has made a tremendous drive to promote the building of these low-cost homes, many of which have been purchased by men

with families whose income has been $18 to $20 a week—mechanics, garage men, laborers, etc., who have been encouraged to be thrifty.

Under the definition of low-rent housing, uncertainty will be created in the minds of people who may be considering the purchase or construction of a home, as to whether or not such subsidy would be within their reach. And it is certain that the housing would be extended to persons who do not actually need a subsidy. Under the language of the bill I think we are correct in assuming that families with income up to $1,500 could qualify. In this connection, an income of $1,200 in smaller cities permits the purchase of new accommodations which can be supplied exclusively by private enterprise. Inasmuch as the definition of those who would qualify under the bill is so indefinite, many people able to purchase their homes in the ordinary way would put off doing so, with the thought that they might be entitled to a subsidized home. This would result in retarding the present building program being carried on by private enterprise.

To our amazement, we have heard experts of the housing authorities testify before your committee that slum dwellers with incomes under $750 would not qualify under this legislation. If I recall the testimony correctly, it was stated that the class beween $1,000 and $750 would be the one to receive benefits. If this is correct, then the very purpose of the bill would be defeated by absolutely no relief being given to those in the very lowest income group. There could be no competition on the part of the Government in providing housing for the very lowest income group, since the people in that group could not possibly be able to buy a home or pay more than a meager rental. But when it is clearly demonstrated that the benefits of this legislation will go to wage earners in the group earning between $1,000 and $750 you are coming dangerously close to direct competition with private industry, which can demonstrate to you that it can and is today building low-cost houses for wage earners in this group.

The bill makes special provisions for the building of demonstration projects. Have we not had enough experience in Government-built demonstration projects? And what have these demonstration projects shown? Simply that with an outlay of huge sums of money nice dwellings can be built—but not for people in the lowest-income group. The building industry has had difficulties practically everywhere one of these demonstration projects has been started. Whenever it is rumored that the Government is going into a certain community and build demonstration houses for citizens who have been taught to expect subsidies, relief, and other gratuities from the United States Government, these people become hesitant if they have been planning on purchasing their own homes, waiting to see what they might be able to get from the Government. We have had numerous reports from our dealers who have been working on prospects for homes, who have stated that the prospects canceled their order, saying that they were going to wait and see what the Government did. In other cases where the project was set up as a relief project supposedly to aid unemployment, we have known of contractors in charge going to actual private building projects and taking men away from those jobs. In some localities today our dealers report that all the carpenters, contractors, and so forth, are busy.

These new projects would necessarily attract laborers from private construction work.

The bill sets up an additional housing authority in the Federal Government which has already injected itself into the housing field through at least 35 different Federal housing agencies, and it is common knowledge that the activities of the Government in housing has caused untold confusion in the building industry. This bill will impose upon the proposed housing authority a heavy responsibility to avoid mistakes against which the bill provides insufficient safeguards.

If we must have a Federal slum clearance bill, the legislation should be drafted in such a way that it will provide for actual slum clearance and reclamation—actual elimination of the present indecent housing. Even so safeguarded, the benefits of the bill will be confined principally to the metropolitan areas, and those located in the rural communities must bear the burden of taxation for which their sections would receive no benefits. It would possibly be desirable for the Federal Government to subsidize the improvement of housing conditions for all of our people in the working classes, but it would bankrupt the Government if it attempted to do this for all citizens in the lower income group.

As I have said, our organization, representing 23,000 retail lumber dealers throughout the country, is in the housing business, building houses through contractors, and furnishing the material for them. We are opposed very much to this bill as it is written today. If such a bill is written we would like to have one on the order of the one that we understand is coming out of the Senate.

The CHAIRMAN. You say if we have to have one?

Mr. CARNAHAN. Yes.

The CHAIRMAN. What you mean to say is that you are opposed to this venture on the part of the Federal Government?

Mr. CARNAHAN. Yes; we are opposed to this venture on the part of the Federal Government. Every project they have undertaken during the past few years has violently interfered with our business. It has hurt our prospects in getting business, getting contracts to build houses, and it has also resulted in workmen going from our jobs to P. W. A. jobs, resulted in taking men off that work.

The CHAIRMAN. And if we are to have legislation you would like to have the Senate bill?

Mr. CARNAHAN. We want the elimination of all demonstration projects. We have had enough experience with them to know that they are very harmful to us, when the Federal Government goes into a locality without any regard to the local conditions and builds projects they are injurious to our own building business.

The CHAIRMAN. What you mean to say is that you are particularly opposed to the section of the bill which provides or authorizes $25,000,000?

Mr. CARNAHAN. Yes; opposed to the $25,00,000 for slum-clearance demonstrations.

Mr. FORD. That has been eliminated in the Senate bill.

Mr. CARNAHAN. Yes; I understand that has been eliminated in the Senate.

The CHAIRMAN. When you say you prefer the Senate bill you mean the Senate bill as amended?

Mr. CARNAHAN. Yes, sir. I would like to also see removed from the House bill, the same as has been done in the Senate, the limited dividend corporations, and the consumers' housing society which would be set up in the local communities for the purpose of going into competition with local builders in their activities.

I should also like to see some legislative provision put in there to say that if this legislation is passed it will apply to the lowest-income group. We have been amazed at the testimony here to the effect that the benefits of this legislation are only going to people whose incomes were between $1,000 and $750 a year.

In that connection, Mr. Chairman and gentlemen of the committee, our association has been conducting a small-home program throughout this country, and they have spent $15,000 putting it across this year out of our association funds. We are building thousands of homes that can be sold to individuals in this country who are making $18 to $20 a week, and we are selling those houses on payments of $20 to $25 a month.

Mr. FORD. You mean a month?

Mr. CARNAHAN. Yes; a month. Now the Government comes in here and is talking about subsidies to go into this house-building business in which we are now engaged, and which we are now solving. Take right out here at Bethesda, Md., we built low-cost houses, financed through the F. H. A., a six room house for $3,900, and the payments on that house run about $28 a month. Certainly anybody with an income of $125 a month could buy that house and have their own home.

The CHAIRMAN. How large and what type of house would that be?

Mr. CARNAHAN. I have a picture of it right here, Mr. Chairman. It is a six-room house, a beautiful house, made of the best quality of materials and construction.

The CHAIRMAN. What does the lot cost?

Mr. CARNAHAN. $525, and we put in an electric refrigerator and also an electric range.

The CHAIRMAN. That is the total cost?

Mr. CARNAHAN. And we spent $50 for shrubbery, and it is on a lot 50 by 125 feet. We built that house [indicating], and the other two houses that you see there [indicating on photograph]. We are building today 1,534 similar houses all over this country. We have those houses under construction, and this industry is putting all of its time and effort in to solve that housing problem. We do not have a serious housing problem in this country, perhaps outside of these areas within the cities, Mr. Steagall. We are building 1,500 of them on a program in which we are engaged right now. They are houses to be sold for less than $4,000.

On that B house there [indicating on photograph], that five-room bungalow, the average cost of that house throughout the United States in 300 cities was $3,150. If that is not providing low-cost housing, we do not know what it is.

The CHAIRMAN. How do you finance your houses in Birmingham?

Mr. CARNAHAN. I think they are financed through the F. H. A. and the local banks. Many of those houses have been rented. They have been built for rental purposes.

The CHAIRMAN. What do you get for them?

Mr. CARNAHAN. For the houses?

The CHAIRMAN. Yes.

Mr. CARNAHAN. I do not know just exactly what they sold for, but that was the average of the houses we built. The average houses in some 300 cities—that is, those B houses—was $3,165, and on the E houses the average was $3,850.

The CHAIRMAN. These are all frame houses?

Mr. CARNAHAN. Yes; they are all frame houses. In that connection I might say that the structural-clay-products industry has now entered into a proposition of the same kind, working on the same program throughout the United States. In Detroit some of our dealers built through the F. H. A. whole subdivisions of $3,500 units, and those subdivisions have already been sold. If you go into these cities and allow these people to come in there and go into direct competition with what we are doing in building those small houses, it will hurt our business and our whole program. You must confine this legislation to those people whose incomes are below $900.

The CHAIRMAN. Can the Government go in there, compete with you, and do a better job than you can, build better houses for less money?

Mr. CARNAHAN. No; they cannot. That has been demonstrated all over the country, has it not? Here is a beautiful six-room house for $3,900.

The CHAIRMAN. We have not tried it out under this plan. I am wondering if their program is more extensive, or whether they can put you out of business in competition. I am wondering about the effect of it.

Mr. CARNAHAN. If it is more extensive and they subsidize it; yes, sir. I mean if it develops into a pure 100-percent grant, they can put us out of business.

We have been engaged in this business a long time. You know we came down here and asked you to pass the national housing bill. Ever since that F. H. A. plan has been going on, we have been making a success out of this housing program, although we have had difficulty at times on account of financing. The man with an $18-a-week income has been having difficulty to get his first payment. At times we would arrange a loan, and he would pay $100 down, and then we would build him a house under a $2,000 contract, which would only cost him $18 a month. You remember title I, where they could borrow $2,000 and finance a house under that provision. This next year, on this same program, we are going to spend $25,000 to educate the dealers throughout the country to go out and concentrate on this 80 percent. Eighty percent of the prospects today are those for building houses for less than $4,000. That is our business; we know it; and that is the kind of houses we are building.

Mr. CRAWFORD. Does the propaganda with reference to Federal housing or the fact that the Government is going ahead with proposed legislation like this, and the general discussions that are taking place, does that have a deterring effect on those who might want to build houses or purchase houses?

Mr. CARNAHAN. I had that right in my statement, but the chairman asked me not to go into it in detail. We have had a great many nice prospects who lost interest or even canceled orders on account of this proposed legislation. In Cincinnati and Atlanta that happened where these P. W. A. projects have been built. We have had actual

cases where the P. W. A. contractors have come over and offered the men who were engaged in working on those houses better money and better conditions to go over and work on this relief work.

Mr. CRAWFORD. Does your organization, generally, object to a slum-clearance project being put through for people with incomes of $400 a year?

Mr. CARNAHAN. No; we do not object to that. Under $900 income we do not object. If you go into the heart of New York City and tear down some of those slums, we cannot build new houses in the center of New York City for the prices I have mentioned; but if you go out on the outskirts of New York City and build houses there, there is your direct competition with the houses we build.

Mr. CRAWFORD. Take a town of 100,000 people that has developed mostly within the last 20 years through industrial growth, like the city of Saginaw, Mich., as an illustration.

Mr. CARNAHAN. Yes, sir.

Mr. CRAWFORD. Where there are no slum areas in the city, but where the first ward is made up of detached houses entirely with sunshine, and a lawn, and where the floors are rough, the doors are rough, and the windows are rough, where you can go in and rehabilitate that property for a reasonable price. If the Government does it, it directly competes with you, does it not?

Mr. CARNAHAN. No, sir; if they do that they will use our materials, and that would be all right with us, if you want to do it. That is what we asked you to do under title I, and Congress was willing to do it. Now, here is a bill involving $700,000,000. We had under title I a program which had been done with a loss to the Government of $6,000,000 on $500,000,000 worth of repair work throughout the country. We put it up to the administration to continue that program, but the administration said, "We have to balance the Budget, and we have to do something about this $6,000,000", which was the cost to the Government on a $500,000,000 program. Now, they come out with a $700,000,000 program. That is what we were doing under title I, remodeling these homes. They would go to the bank and borrow the money, and the Government would insure them for 10 percent.

Mr. CRAWFORD. There were a great many cases handled just that way to the satisfaction of the tenant, the purchaser, the bank, the retail lumbermen, and the supply men, too.

Mr. CARNAHAN. That is about all of our testimony, Mr. Chairman, and we just simply ask you to draft this legislation so that it will not interfere with our private building program, which is solving this problem. Within the next 2 years you will see thousands and thousands of these homes built in this class throughout the country, which I said to you we can sell for $18 or $20 a month with this industry and the other industries taking it up. This thing started last January when we introduced an educational program. They are building them in Birmingham and in Illinois, 230 of them; they have 2 at Saginaw, and over the whole State of Michigan and in Detroit they have built subdivisions, and also up in Pennsylvania.

Mr. MCGRANERY. How many does your organization propose to build in the city of Philadelphia?

Mr. CARNAHAN. Do not misunderstand me. Our organization as an organization is not building these houses. Our organization is

the National Retail Lumber Dealers' Association. The individual retail lumber dealer is the man that sells the lumber to the contractor to build it.

Mr. McGRANERY. Is it not true that the type of home that is being built in the city of Philadelphia now sells for upward of $7,500?

Mr. CARNAHAN. Yes; some houses sell for that; but not the houses we are building.

Mr. McGRANERY. No; not some of them; but is it not true that that is the only type of building going on up there?

Mr. CARNAHAN. No; we are building these demonstration projects up there in Philadelphia. I have them right here on my list.

Mr. McGRANERY. How many homes are you building?

Mr. CARNAHAN. I do not know just exactly.

Mr. McGRANERY. I would like to find out.

Mr. CARNAHAN. I would be glad to send you that information and tell you just where the projects are.

Mr. McGRANERY. I am speaking specifically of the city of Philadelphia.

Mr. CARNAHAN. Of course, we cannot take a $2,500 house or a $3,500 house and put it on a $2,000 lot. When we build these houses we have to go out from the city, like we did in Bethesda, and find a lot that will come down to the value of the house which we are putting on it, where we can get our total down to about $4,000.

Mr. McGRANERY. But if your builders select these sites on which the houses are to be built, and they select sites where the lot is sold for $2,000, that property is naturally going to cost the purchaser $7,500.

Mr. CARNAHAN. When you are considering that you must distinguish between a regular builder and a retail lumber builder-contractor. The regular builder builds a house, you know, without intending to take care of any certain class of people in that house. He builds that house intending to make as big a profit as he can.

Mr. McGRANERY. That is the only kind we have in Philadelphia.

Mr. CARNAHAN. I want to give you this [indicating photograph] to show you the type of houses we are building for that money. That includes everything, the land and everything complete. There is a six-room house they built out here in Bethesda.

Mr. McKEOUGH. What are these, frame houses?

Mr. CARNAHAN. Yes, sir; they are frame houses.

Mr. McKEOUGH. Can you do that under the city ordinances in the large cities?

Mr. CARNAHAN. No; not in the heart of the city. We have to go out in order to do it.

Mr. McGRANERY. What would a house of brick construction cost?

Mr. CARNAHAN. The clay-products industry is doing the same thing. At the present time they are working out a program on that.

Mr. McKEOUGH. Unfortunately we were not here when you began your testimony, and I am asking you, not with the idea of having you repeat it, but I gather from the few minutes I have been here that you are opposed to the principle of this bill?

Mr. CARNAHAN. Yes; unless it can be applied as to Senate bill is now on the docket over there, to limit this bill to construction of $4,000 a unit, and to limit it to the very lowest-income group. These people testifying for the bill admitted here yesterday that this legislation would be only available to people having incomes of some $750 a year to $1,000 a year. When you get up there you are getting up into the class of people that are earning $75, $80, and $90 a month; and when you do, that is the kind of business we are doing right now, building houses for people of that class.

Mr. McKEOUGH. These are all individual homes?

Mr. CARNAHAN. Yes; that is right.

Mr. McKEOUGH. In your judgment this scheme is a practical one?

Mr. CARNAHAN. Yes. That is private industry, and it is not costing the Government a cent.

Mr. McKEOUGH. I appreciate that. That is where you build to sell them. I think you said there were two-hundred-and-sixty-odd in the State of Illinois?

Mr. CARNAHAN. Yes, sir; that is right.

Mr. McKEOUGH. How many of those are within the city limits of Chicago?

Mr. CARNAHAN. I will see if I have got my list here. I will read you here some of the answers we have received from some of the builders (reading):

We are sponsoring 3 of these houses, or rather we are sponsoring an addition of 50 lots and are putting up these 3 houses and as quick as they sell we will build more.

We have 115 lots. We are selling lots and are also starting out by constructing 2 houses and we anticipate at least 15 more will be constructed by those to whom we sell lots.

We expect to build three or four starting on one of them the first part of next week.

We have several houses now in course of construction and at present time are working on your plan E.

At present we have at least 15 good prospects for homes in this subdivision which we plan on working up into orders for our local contractors.

We have participated in the small-home campaign to the extent of three houses under construction at the present time.

We are building B in cooperation with local contractors. We also have another contractor building E.

Although we have not as yet erected any houses strictly on this plan, we have two model homes featured on this small-house plan.

We are glad to work with the national plan on small houses and are building four houses at this time. Cost between $2,500 and $3,000.

We have found it necessary to make changes in the exterior design, but the house will represent a type which can be built for about $3,250.

One of the local contractors has built two of this type houses and will have them completed and ready to show and sell within the next 2 weeks. Another contractor is planning to build at least two and perhaps more of these houses.

Mr. McKEOUGH. I know, but that does not answer my question.

Mr. CARNAHAN. I am going to get it in just a minute. I have got it right here.

Mr. McKEOUGH. I am trying to find out how many of these houses, in the judgment of the witness, will be a substitute for the proposed legislation in such a place as the city of Chicago.

Mr. CARNAHAN. Well, we started this program in January, and we have thousands of these houses under construction right now. We spent $15,000 to educate our builders to go into it, for the express purpose of serving this $4,000 class.

Mr. McKEOUGH. I have no quarrel with your program.

Mr. CARNAHAN. And we will continue that next year.

Mr. McKEOUGH. How many of these houses that were built out of the 263 mentioned in your testimony were built within the corporate limits of the city of Chicago? Can you answer that question?

Mr. CARNAHAN. No; I cannot; but I can tell you how many are being built in Chicago.

Mr. MCKEOUGH. We are primarily interested in this proposed legislation as it affects the population in the city.

Mr. CARNAHAN. I understand, and I would like to develop this, but I do not have the time to do so.

Mr. MCKEOUGH. The Government has been experimenting in this direction for 4 years.

Mr. CARNAHAN. Yes; I understand that, and every time they experiment it has been a loss to us, it has cost us money.

Mr. MCKEOUGH. Why?

Mr. CARNAHAN. Because they come into our territory and take prospects for houses away from us, and because they come in there and confuse the public as to what they may expect in the way of homes. Do you not suppose that right now there are a lot of people that might otherwise have built their own homes, but they are waiting to see what is going to come out of this subsidized Government program?

Mr. MCKEOUGH. That may be, but, frankly, I am at a loss to see why your organization, which is a lumber organization, is opposed to construction of houses, whether it is done by means of Government subsidies or otherwise.

Mr. CARNAHAN. We want to do the construction.

Mr. MCKEOUGH. You do not want to sell the lumber?

Mr. CARNAHAN. We sell the lumber to a contractor who builds the houses. It seems strange that we would come down here and oppose this program, but it is because it is upsetting the whole building industry.

Mr. MCKEOUGH. Do you say that the Government's program is the cause of the lack of building in the United States?

Mr. CARNAHAN. No; I do not. I say the depression is the cause of it.

Mr. MCKEOUGH. Am I to interpret from your statement that it has upset the whole program?

Mr. CARNAHAN. To this extent, that this building boom has only come on since the passage of the Federal Housing Act, and since then we have been building houses all over the country.

Mr. MCKEOUGH. Was not the F. H. A. of some assistance to your organization?

Mr. CARNAHAN. Yes; wonderful assistance.

Mr. MCKEOUGH. So that the Government, from the standpoint of the F. H. A. has not upset your program?

Mr. CARNAHAN. I so told the chairman and the other members of the committee. I am sorry you were not here.

Mr. MCKEOUGH. But the point I am trying to make is that you are engaged in the lumber business.

Mr. CARNAHAN. Yes, sir.

Mr. MCKEOUGH. If lumber is used in building construction, why should you be opposed to that because the Government performs it as opposed to private contractors building structures in connection with Government activities?

Mr. CARNAHAN. They take men off of jobs we have started, and that means considerable when we are working on a job and cannot complete it.

Mr. MCKEOUGH. Is that not all a matter of education, except the point that they have taken employees away from your individual activities and put them on their comprehensive program?

Mr. CARNAHAN. A matter of education?

Mr. MCKEOUGH. Yes.

Mr. CARNAHAN. I think it is a matter of education so that people will be self-supporting.

Mr. MCKEOUGH. So do I. What is your attitude in connection with the proposed hour-and-wage legislation?

Mr. CARNAHAN. Our people have not taken any stand on it at all. The retail lumber dealers pay wages that are far in advance of any minimum set under this bill.

Mr. MCKEOUGH. Is there any additional cost by reason of the Government's activity in connection with construction work that has in any way contributed to the testimony given by the mayor of New York here the other day when he said that they made up their budget in November or December of 1936 for the calendar year 1937, and that when they got into the beginning of the calendar year 1937 they found that their estimates were from 20 to 25 percent lower than the actual bids in connection with the material prices?

Mr. CARNAHAN. That may be true.

Mr. MCKEOUGH. Has there been that much increase in the price of lumber and commodities?

Mr. CARNAHAN. There has been a heavy increase this spring in most every building-material cost.

Mr. MCKEOUGH. Was that because of the comprehensive program of building going on and the great demand for lumber?

Mr. CARNAHAN. It was mostly due to the strike situation and labor trouble.

Mr. MCKEOUGH. In your judgment, would the increase in the price of lumber be confined to the actual increase in the price of labor due to labor trouble? In other words, if you had a 10-percent increase in the price of labor, did you confine the increase to 10 percent?

Mr. CARNAHAN. We do not control prices in our industry. Take lumber that comes here from the west coast, for instance. We had this labor situation, the strike out there on the west coast last winter. We handle from the west coast into the eastern market, which is back hauled clear back to New York and Ohio, 15 million feet of lumber a month. On account of the maritime strike out there that 15 million feet of lumber stopped coming in. It was entirely out of this market. We have a boat rate around there of 35 cents a hundred pounds.

Mr. MCKEOUGH. It is back hauled from the east coast?

Mr. CARNAHAN. Yes; it is back hauled from the east coast. The rail rate from out there is 78 cents. When shipment was suspended on account of the maritime strike, we naturally had to ship that lumber entirely by rail, and that forced the price of lumber up $8 a thousand.

Mr. MCKEOUGH. You would not charge that to the present program, would you?

Mr. CARNAHAN. No; I am not charging anybody with anything. I say that is the condition that caused it. It was not exactly labor but it was labor trouble that caused the maritime strike.

Mr. McKEOUGH. And you, of course, are very vitally concerned, which is in the record, with the program of the present national administration with relation to housing as upsetting your program?

Mr. CARNAHAN. Yes; it has caused cancelations of orders and prevented us from getting orders we could get.

Mr. McKEOUGH. If you can contribute at least to this very humble member of the committee an explanation that would justify your conclusion, I would appreciate it. I cannot reconcile your statement with the facts as I know them.

Mr. CARNAHAN. I have tried to explain them.

Mr. McKEOUGH. You spoke about lumber coming from the Pacific Northwest and then being back-hauled from the East. I am trying to find out whether you have confined the actual increase in the cost of the lumber to the labor increase due to the strike or otherwise.

Mr. CARNAHAN. In retail lumber we have a mark-up. That mark-up is, say, generally 33⅓ percent as an average proposition, but on account of the increased cost of delivered price of that lumber many of our dealers were forced to take much lower mark-ups, even as low as 10 percent, because the market would not absorb the lumber at that high price. In other words, a lumber yard in order to be a success has got to adopt a certain mark-up in order to meet overhead and labor charges; 30 percent would be about as low a conservative mark-up as we could make.

Mr. McKEOUGH. Is this increase in the lumber side of construction work unusual as compared with other commodities that go into home construction?

Mr. CARNAHAN. Yes; on account of the strike.

Mr. McKEOUGH. Now that the strike is over, has there been any adjustment back?

Mr. CARNAHAN. Yes; prices are lower.

Mr. McKEOUGH. What percentage?

Mr. CARNAHAN. Lumber that was selling for $30 a thousand is now selling for $23.50 in metropolitan New York.

Mr. McKEOUGH. Would you please amplify the statement that as the result of the Government's operations some of your jobs were interfered with because of the men leaving your jobs to go to P. W. A. construction jobs?

Mr. CARNAHAN. How it hurt us?

Mr. McKEOUGH. Yes; you said the Government's activities in house building had interfered to the point where some of your workmen on your private jobs left your jobs and went to the Government jobs?

Mr. CARNAHAN. That is right.

Mr. McKEOUGH. What was the reason for that? Were you paying the going rate of wages?

Mr. CARNAHAN. I do not know what the wages were, but I do know this: That on the basis of charges we made the Government send a man out to Cincinnati to investigate. It was investigated and they admitted it and said it would not be done again.

Mr. McKEOUGH. Did their investigation develop the cause for the men leaving?

Mr. CARNAHAN. You mean why they went with the W. P. A.?

Mr. McKEOUGH. Is it W. P. A.?

Mr. CARNAHAN. No; P. W. A.

Mr. McKEOUGH. Did you investigate to find out through your dealers their reason, why they left?

Mr. CARNAHAN. They did not leave the dealer. They left the contractor.

Mr. McKEOUGH. Well, the contractor.

Mr. CARNAHAN. Yes.

Mr. McKEOUGH. What did the contractor offer as an explanation?

Mr. CARNAHAN. He said they came over there and offered the men a better proposition to go on the P. W. A.

Mr. McKEOUGH. Was not the P. W. A. obligated under the law to follow the law and pay the going rate of pay to mechanics?

Mr. CARNAHAN. They were.

Mr. McKEOUGH. It would not be possible that the private contractor might have asked for a kick-back from the mechanic?

Mr. CARNAHAN. I do not know; we do know that it happened.

Mr. McKEOUGH. It has happened, though?

Mr. CARNAHAN. We do know we have had orders canceled. We so understood. They told us.

Mr. McKEOUGH. Would you be willing to say that, in your judgment, and in your wide experience that you know that has happened?

Mr. CARNAHAN. That orders have been canceled?

Mr. McKEOUGH. No; that a kick-back was taken, and that might have been the explanation of it.

Mr. CARNAHAN. I do not know anything about it.

Mr. McKEOUGH. You do not know anything about it?

Mr. CARNAHAN. I know the case was investigated in Washington.

Mr. McKEOUGH. You do know the P. W. A. investigated it in certain instances and prosecuted some of the contractors as a result of their findings?

Mr. CARNAHAN. I suppose so.

Mr. McGRANERY. I understood thatone of your real objections to the Government entering this field was because of the tremendous waste on the part of the Government. Do you mean waste of lumber or material?

Mr. CARNAHAN. No; I am referring to what was said by Senator Byrd the other day.

Mr. McGRANERY. What did he say?

Mr. CARNAHAN. He said there has been tremendous waste on these projects, and that his investigation disclosed that, and that is the reason.

Mr. McGRANERY. Your statement is confined to merely what Senator Byrd said, and not your own knowledge?

Mr. CARNAHAN. We have not made an investigation of it.

Mr. McGRANERY. So, you do not know whether there has been any waste on the Government projects or not?

Mr. CARNAHAN. Except what is common knowledge in the newspapers and from investigations in the Senate.

Mr. McGRANERY. But not of your own knowledge?

Mr. CARNAHAN. No; we never made any investigation of it.

Mr. CRAWFORD. Would you say that a hundred or thousands of people are hesitating today and not buying a home or building a home because of this housing program that is being talked about in Government circles and legislative halls?

Mr. CARNAHAN. No; I do not think I would go that far.

Mr. CRAWFORD. How many would you say?

Mr. CARNAHAN. That is a pretty hard proposition to answer. There may be lots of people contemplating buying or building a home that we do not know anything about.

Mr. CRAWFORD. This general Government program causes people to hesitate in building a home, and causes people to hesitate in buying a home. Therefore it interferes with the building industry?

Mr. CARNAHAN. Yes.

Mr. CRAWFORD. To what extent does it interfere, with 40, 50, a hundred, or 10,000 people?

Mr. CARNAHAN. We do not know how many people are contemplating building or buying homes. We do know from our experience, and we have had reports from all over this country, that contracts have been canceled, and that people who were interested in building homes have lost interest.

Mr. CRAWFORD. I might say to you, and for the benefit of this gentleman further, that I had a site selected in this town on which to build a high-grade home for my own use, and when I got to thinking of this situation, I canceled the arrangements to purchase the lot and the contract for the building, and it caused me to desist from employing men in the building of a building in which to live myself, and I can give you the names of a great number of my friends who did likewise in different cities, in the cities of Denver, Minneapolis, Saginaw, Detroit, and Washington. Furthermore, I do not want to buck up against sit-down strikers, and have a building partly completed, one-half completed, or one-third completed, and have it left on my hands with all of these disturbances that are going on. So, I think your building program has been interfered with by scores of things in which the Government has had a part, and particularly this Government program.

Mr. MCKEOUGH. But not because the Government indicated it was creating a building program.

Mr. CRAWFORD. Yes; because if the Government engages on a building program any house I build will be depreciated by reason of the Government entering into private enterprise and competing with me.

Mr. MCKEOUGH. Then, do I understand your attitude is that in the event this bill becomes law and a start is made in that direction that no more private building will go on, or, at least, it will be seriously interfered with?

Mr. CRAWFORD. Yes; it will be seriously interfered with, from my knowledge of activities that I am acquainted with myself.

Mr. MCKEOUGH. In view of your experience, in the absence of the Government going along in the last four years with this slum clearance proposition, would you say because of this those that otherwise might have built a home did not build one because the Government was building them?

Mr. CRAWFORD. If it had not been for this proposed Government-housing program we would have had scores of homes built today and under construction that are not being built, because when the Government starts doing things it causes a man that has any sense at all to hesitate when the Government goes into that same field. I want to make it very clear here that my mind is very definitely made up. I am in favor of a strictly slum-clearance proposition for

homes to be provided for people with incomes under $700 a year, and I think when you go above $700 a year you interfere with this man's business.

Mr. MCKEOUGH. You do not feel that the home you contemplated building here was going to be interfered with by the proposed slum clearance?

Mr. CRAWFORD. I certainly do when the Government——

Mr. MCKEOUGH. What did you consider paying for the home on which you had gotten estimates; what was the contemplated cost? Was it anything like $1,000?

Mr. CRAWFORD. Now you are getting into my personal affairs, and I refuse to answer the question.

Mr. MCKEOUGH. But you would not trade anything that we contemplate constructing under this measure for the one that you had in mind?

Mr. CRAWFORD. I would like to trade the home I have in mind for some of these that cost $16,000 to $24,000.

Mr. MCKEOUGH. But one you could not move to the location you selected in Washington.

Mr. CRAWFORD. No; I would not want it in New York City. I would want it in Washington. I am experienced in trading, and I understand you are quite a horse trader yourself.

Mr. MCKEOUGH. I have never traded horses.

Mr. CRAWFORD. You have traded the equivalent. You know when you get into the security field or industrial field where stocks and bonds are involved, and the Government is sitting on one side dealing in the commodity or in similar stocks and bonds every investor is going to hesitate. Today I might own a house worth $10,000, and 2 months from now I may have to come down to a house that would not cost over $2,000. I saw too many of my friends wiped out financially during the last 6 or 7 years. I know what it means to go from a $25,000 or $30,000 home down to a $1,500 or a $2,500 home. I know what it means, too, when the Government starts building homes, detached or otherwise, into which people can move and live for $1,000 or $1,500. When it does that it sets up competition with my home, whether it costs $2,500 or $25,000.

Mr. MCKEOUGH. I do not recall in all our deliberations on this bill that there was any question raised about the $10,000 income which I think is the salary that Congressmen get.

Mr. CRAWFORD. Yes; but what assurance can you give me that my income will be $10,000 a year 3 years from now?

Mr. MCKEOUGH. I cannot give you any assurance, but if you are worried because of the contemplated program of the Government in slum clearance, as you indicate you are——

Mr. CRAWFORD. I did not say slum clearance. I want the record to show that distinctly.

Mr. MCKEOUGH. Well, home clearance.

Mr. CRAWFORD. I said I was in favor of slum clearance.

Mr. MCKEOUGH. Well, home construction. I am not attempting to get technical about the language.

Mr. CRAWFORD. All right.

Mr. MCKEOUGH. The point I am trying to bring out is, what was your concern making back in 1933 when there was not any building?

Mr. CRAWFORD. In 1932 and 1933 I had the most prosperous business, and I had the highest prices and drew the highest salary during that time, and my income-tax return will show it.

Mr. MCKEOUGH. I am taking your word for it, but that is not typical; you will grant that.

Mr. CRAWFORD. You asked me for my experience.

Mr. MCKEOUGH. But you and I are judging this not from the viewpoint of our individual experience as Members of Congress, but from the national viewpoint.

Mr. CRAWFORD. But you inquired for my individual experience.

Mr. MCKEOUGH. I am seeking information that will be of benefit to the committee in its report to Congress and the country, and you have injected your individual experience as a specific part of a general situation. I do not think it is good reasoning.

Mr. MCGRANERY. Do you not think this conversation might well be taken up in executive session?

The CHAIRMAN. I am just wondering whether we will not have enough discussion on this question next week. Let this gentleman finish his statement, if he can.

Mr. MCGRANERY. I think that is all I have to say, Mr. Chairman.

The CHAIRMAN. There is a lady here from Detroit that we are asked to hear briefly.

Mr. GRANERY. Mr. Chairman, that lady, Miss Josephine Goman, is director of the Housing Commission of the city of Detroit, Mich., and she asked me if I would not present to you and the committee her statement, to be incorporated in the record?

The CHAIRMAN. We shall be glad to have it. I am sorry we did not have opportunity to hear her.

STATEMENT OF MISS JOSEPHINE GOMAN, SECRETARY OF THE DETROIT HOUSING COMMISSION, DETROIT, MICH.

Miss GOMAN. Mr. Chairman and gentlemen of the committee, Detroit and other industrial areas of Michigan are facing a housing shortage so serious that the normal growth and expansion of the State are threatened, as well as the health, safety, and welfare of its citizens.

The progress and prosperity of the cities in Michigan affect not only those who live, work, and own property in the cities, but they affect the rural population of the State as well. The economic status of the rural population is to a large extent dependent on the purchasing power of city workers. Anything which threatens to reduce, impair or impede the industrial development of the cities threatens also the economic security of those engaged in agricultural, dairy, and related pursuits.

Lawrence P. Fisher, vice president of General Motors, made a public statement in the council chambers in Detroit 2 weeks ago that industries would have to move out of Detroit if houses could not be supplied to the workers.

For the last 4 months eviction notices have been issued by the court at the average rate of about 100 per day. These notices have not been, in the main, for nonpayment of rent. A large proportion of them have been to repossess houses occupied by large families. I have some front-page newspaper articles from all three Detroit papers showing families living in emergency shelters under the most deplorable conditions of congestion. These families were taken from the streets and given shelter by the city because they could find no accommodations. They were not dependent families. They can afford to pay rent. But there are no vacancies available. Landlords will not rent to families with children when the demand of small or childless families is greater than can be met.

The housing shortage which exists in Detroit today is not a spontaneous or unpredictable condition. It has developed naturally and was expected. Between the years 1932 and 1936, inclusive, more permits for demolition of family units were issued than permits for construction of such units. But there has been no way to meet or prepare for it. Private enterprise was cognizant of the trend but evidently private business was powerless to meet it. It is not profitable to build houses for rent in Detroit. It is not profitable to build houses for sale or rent to the lower-income group.

Much has been said about building for higher-income groups and making houses left vacant by them available for those of lower income. This is known as the filtering-up process. I would like to draw your attention to the danger to private ownership in such a policy. Unless the landlord is able to secure a rent that covers taxes, maintenance, and a reasonable profit, he cannot be expected to retain interest in his investment. These families can pay this return only by resorting to congestion. In the past this procedure has led to growth of slum areas, nonpayments on mortgages and a complete economic cycle that followed and probable influenced our business curves from prosperity to depression.

Instead of allowing the victimization of private owners of property in this way, a definite movement should be undertaken to house with subsidy those whose incomes do not permit them to pay sufficient return to cover necessary expenditures. These families are the concern of government because they create conditions which are of public concern.

Property values are shifting in the blighted areas because of the slum threat. Subsidy housing by government for the lower income groups is nothing new. This type of housing has always been subsidized. In Detroit, the Detroit Housing Commission made a careful study of a slum district and found that the cost of city services such as fire, police, and health protection was 15 times the average cost for the city as a whole, while the tax delinquency was 355 percent of the annual anticipated tax revenue. This is subsidy with a vengeance. The general taxpayer is subsidizing an area that breeds disease and crime and poor citizenship. A survey of this same area taken 3 weeks ago of rents charged showed that the average per room per month of 2,700 family units was $7.50.

The housing problem cannot be solved in full by the Wagner-Steagall bill. But the passage of this bill will define and limit Government activity so that the rest of the problem can be attacked practically and realistically. As long as Government activity is undefined private initiative has some reason to be apprehensive of encroachment in certain fields which it feels private business might reasonably enter. Rapidly shifting real estate values which is costing property owners and municipalities millions of dollars can be stabilized by direct action in regard to slum dwellings.

There are probably many aids to private building in the next lower brackets that can be worked out if the Government will undertake the responsibility for that part of the program which required definite subsidy. The Governor of Michigan has offered to call a special session devoted to the housing problems of the State. This cannot be productive of results until such time as the Federal participation in the housing program is undertaken, until such time as the Federal Government has met that part of the problem that the State and municipalities are unable to meet because of legal financial restrictions.

I would like to draw the attention of this committee to one other point. There seems to be some misunderstanding about what States and communities would benefit from this legislation. In particular that its benefits would be available only to cities. I do not understand from the language of the bill that any such distinction exists. The bill states that financial assistance provided would be available to States and political subdivisions thereof. In the State of Michigan the legislation setting up housing authorities is now limited to the city of Detroit. This act can be amended at any time to extend this power to cities of any size interested or to all cities. It could also be extended to counties or a State board. I believe the benefits of this bill can be extended to meet housing needs wherever they exist.

Mr. McGRANERY. Mr. Chairman, there is a woman here from New York who tells me that she can touch on one phase of this matter that has not been touched on before.

The CHAIRMAN. Is she in the room now?

Mr. McGRANERY. Yes, sir.

STATEMENT OF MRS. ROSCOE CONKLIN BRUCE, NEW YORK CITY

The CHAIRMAN. Will you come forward, please, and give your name to the stenographer?

Mrs. BRUCE. Mrs. Roscoe Conklin Bruce, 209 West One Hundred and Twenty-fifth Street, New York City.

I am very glad, indeed, Mr. Chairman, to have this opportunity of appearing before this committee as representative of the 12,000,000 American citizens who are in the lowest-income bracket of our group. My experience as manager, with my husband, for 10 years, of the Paul Lawrence Dunbar Apartments in New York City, has helped me to formulate some ideas as to the problems of the slum dweller, and of the cultural benefits which come from good housing. As you know, the Negro is in the lowest wage bracket. They have attempted to purchase homes. In fact, the present-day home ownership has been rather costly for the Negro, and I am inclined to think that home ownership is a concept predicated upon moderately high earning power of a stable nature, and the Negroes, restricted as they are, not only to certain communities in the municipality, but also to certain jobs in that municipality—and we find that true throughout the country, and to certain levels in those jobs—are unable to pay, in the majority of instances, what is known as the economic rent. I might say here also that on the same basis yellow fever in the steerage does not stay there, and that is not said as a threat, but merely as a warning. It is impossible to separate Negroes, segregate them in a certain section, and not have the whole community suffer by reason of the delinquency and lower standards which are there, particularly the lower standards of living. In New York City we do contribute more than our share to the problem of delinquency, but I for one believe that juvenile delinquency, in most instances, is merely misdirected play, and I am hoping that, in the final consideration of this bill, that you gentlemen will see to it that there is an amendment from this side of the Congress stating that every one of these housing projects must be something more than a dormitory, a mere four-wall building, barracklike, but you must have included within that program certain welfare activities.

Our experience at the Dunbar, unfortunately, is an experience which shows how limited private capital is in carrying on a housing program. There at the Dunbar, with the interest at 5½ percent on an original valuation of $3,500,000, that project which started out as a cooperative project was no longer able to keep tenants who could afford to pay for those apartments. We did establish a great many welfare agencies there, like supervised playgrounds, and I will say here that in all of the precincts there in New York in our immediate vicinity that delinquency in that area, not only in the Dunbar Apartment, but in that area, decreased more than 25 percent since the maintenance of those apartments. A very interesting map, a recreational and delinquency map, was made of the city of Omaha, Nebr., and on that map it was shown that 22 percent of all the children brought before the Children's Court lived half a mile or more away from a playground, and that is the reason that I urge for the sake of the children, and for the sake of this rising generation that there be included in every housing program recreational facilities.

Mr. McGRANERY. Mrs. Bruce, in your experience in New York up there in the Harlem section, have you found that there is such a condition as rooming houses where men sleep in what they call shifts?

Mrs. BRUCE. Yes; I understand that is so.

Mr. McGRANERY. Will you explain to this committee just what they mean in a rooming house when they say they sleep in shifts?

Mrs. BRUCE. It has not come to my personal observation, but from what has been told to me by persons who came to the Dunbar Apartments, when they sleep in shifts it means that A, for instance, occupies the room in the daytime, and B occupies the room at night.

Mr. McGRANERY. Both of them are employed, and both of them pay for the rent of the room?

Mrs. BRUCE. Yes; and if A is unfortunate enough to get sick in the day he cannot go back to his room.

Mr. FORD. I have seen rooms rented in 8-hour shifts, one man would sleep in it 8 hours, and he rolled out, and another fellow rolled in for 8 hours.

Mr. TRANSUE. They always had a warm bed.

Mr. McGRANERY. But is there a condition that compels these men to afford this luxury, or is it something that they just take because they want it?

Mrs. BRUCE. No; not because they want it.

Mr. McGRANERY. Or is it because they are shiftless?

Mrs. BRUCE. No. Whenever there are restrictions which means that a certain group of people, through economic restrictions, psychological, race prejudice, or consciousness of kind, the desire to be

together, whenever you have such restrictions you are going to have conditions which are not conducive to good citizenship, and Negroes in New York City, just as they are in Birmingham, Ala., and other places, are restricted, in the main, to certain sections of the city, such as Harlem, for instance, where the congestion is very great.

Mr. McGRANERY. Do you think this is a national problem, Mrs. Bruce?

Mrs. BRUCE. I do.

Mr. McGRANERY. Or do you think it is local?

Mrs. BRUCE. I think it is a national problem. It is both, but I think it is a national problem. If you could keep these people within confines, put up a little Chinese Wall around them, and keep them all in Harlem, all in New York City, or New York State, and did not have the children wandering all over the country, taking their low standards of living, their health conditions, their conditions of life along with them, you might say it is a local problem, but those things are spreading out throughout the entire country, and for that reason I think the Federal Government ought to step in and try to remedy those conditions.

Mr. McGRANERY. Now, in the observations you have made you have confined them strictly to colored. Are your observations of the white slums the same?

Mrs. BRUCE. Well, in the report made by the tenement housing commission through the 6-year period, 1919 through 1924, they made a comparison between the old law apartments and the new, and it was found that in that 6-year period the deaths in the old-law apartments averaged 44 per thousand, while the death in the new-law apartments averaged 29 during that same period.

Deaths from tuberculosis in the old-law apartments numbered 10 per thousand and in the new-law only 6, and the deaths of infants under 1 year of age were very high. You know the old saying that you can kill a baby as easily with a house as with a hatchet.

Mr. McGRANERY. Mrs. Bruce, may I ask you one other question: Could a project be carried on, a program in Harlem, for $4,000 a unit, speaking of a family unit now of four rooms?

Mrs. BRUCE. I doubt it, unless we are going into this program to build another slum. That might be possible in some of the smaller cities of the South or in some of the rural communities, but I doubt if it could be done in New York City, where the cost of land is so high.

Mr. McGRANERY. Exclusive of land. In New York City it is absolutely essential that tall apartments, taking advantage of the area, must be erected, rather than small individual buildings, for the reason that the land is scarce.

Mrs. BRUCE. Yes; and you have to spread out the total cost.

Mr. McGRANERY. So, your cost is up in the air?

Mrs. BRUCE. Yes.

Mr. McGRANERY. The cost of construction as you go higher increases; is that not true?

Mrs. BRUCE. Yes, I think that is claimed to be true, and wherever you find this terrible congestion that we have in Harlem you have other conditions, not only the ones pointed out by the tenement house commission, but you have those conditions in Philadelphia. In ward 44, where your density is 63 instead of the ideal 35, you take the

question of illegitimate births, and in ward 44, where your density is 63——

Mr. McGRANERY. That is one of my districts.

Mrs. BRUCE. In ward 44 we have 127 illegitimate births in every one thousand. In ward 7, where the congestion is 164 instead of 63, you have 200 illegitimate births out of a thousand, and then also your incidence of pulmonary complaints. In ward 44 it is 230 per 100,000, and in ward 7, where you have a 164 density, it is 463 per 100,000, which shows that the incidence of morbidity and mortality rises in direct proportion to the density of the population.

Mr. McGRANERY. Do you have any figures on your police reports from ward 7 in the city of Philadelphia?

Mrs. BRUCE. The juvenile delinquency is very great.

Mr. McGRANERY. It is the greatest in the country.

Mrs. BRUCE. Yes, and that is also true in Richmond, Va., in the famous Jackson ward, where the density is very great, where I was about to say the homes—not even houses—where the shacks are not fit for human habitation. They are not fit for pigs. The number of illegitimate births in that Jackson ward is 198 in every thousand. There is so much density they really hold up traffic. They say only 30 percent of the population is colored, and yet to each 1,000 of juvenile delinquents there are 826 Negroes. Yet the Negro group forms only one-third of the population, and on that basis the number should be about 300 or so. I was glad this afternoon to hear Congressman McKeough's special reference to the benefit that this would bring to all groups regardless of race or creed, because the Negroes in the country, and I am here to make this plea for them, are desperately in need of help. They are in the most unstable jobs. Their wages are low. In Richmond the highest wage for Negroes is $18 per week in the paper industry and $12 a week in the tobacco industry. That means that the mothers as well as the fathers have to go out and work. That is true in New York City, and we have developed there what is known as the latch-string child, a child with a little dirty string around its neck, and on the end of it dangling a key. That means that there is nobody at home when that child goes in from school, and you see what a problem that presents when that person with a key is an adolescent girl. It is no wonder that our Kitty Ferguson home is always overcrowded.

Mr. McGRANERY. All of these people, Mrs. Bruce, that you speak of are industrious, hard-working people, able to pay rent, and willing to work?

Mrs. BRUCE. They are willing to work, and I might speak about the rents. They are exorbitant in many instances. I have a schedule of rents which I received this morning, and which is to appear in one of our local papers as of tomorrow. There were in that schedule three-room apartments ranging in price from $35 to $50, and four-room apartments ranging in price from $60 to $75, and eight-room apartments ranging in price from $130 to $140, which means that the aggregate income of a family group occupying that must be at least $700. Now, they do not get that much per month.

Mr. McGRANERY. That is the Montana Apartments, is it not?

Mrs. BRUCE. Yes.

Mr. McGRANERY. It is located at Grant and Morris there near West One Hundred and Twenty-fourth Street in Harlem?

Mrs. BRUCE. Yes.

Mr. MCGRANERY. That is what might be designated a hand-me-down apartment. That was at one time an apartment occupied by whites?

Mrs. BRUCE. Yes.

Mr. MCGRANERY. And when it got in bad condition the colored moved in?

Mrs. BRUCE. Yes.

Mr. MCGRANERY. So that today this hand-me-down apartment rents at from $35 to $50 per month for three rooms?

Mrs. BRUCE. Yes. The majority of the homes occupied by Negroes throughout this country are hand-me-down homes. When you hear the criticism that as soon as Negroes enter a neighborhood the property depreciates, you must remember that depreciation and obsolescence have already set in before they get the property. I think in your great city of Philadelphia in the past 25 years only one new project has been built for Negroes; is that true?

Mr. MCGRANERY. That is true. That is the one at Broad and Redmond Street in the seventh ward.

Mrs. BRUCE. Yes, sir. Outside of the Paul Lawrence Dunbar and apartments in Harlem, there have been a negligible number of new units built for Negroes. They have occupied these homes that were built for wealthy people, and they have these expansive rooms and great expansive halls and places like butlers' pantries, for which they have no use except to turn them into sleeping quarters, and that is why we have so many windowless rooms in New York City.

Some reference was made here to the tearing down of these slum properties before new projects were built. I am not in favor of that at all, because when you tear down, particularly there in Harlem, these old slum dwellings, it means that you are increasing the congestion in other sections, and it means that you are sending those people out from the slum areas into other sections to create another slum.

Mr. MCKEOUGH. Mrs. Bruce, you would not object if the proposed enactment worked ultimately to that objective, when there was sufficient improvement in the number of housing units?

Mrs. BRUCE. Oh, absolutely; I think that is desirable.

Mr. MCGRANERY. Mrs. Bruce, do you not believe that when this program got under way that that situation would eventually take care of itself? In other words, these people want better living conditions, and if you starve out the rents that are now going to slum districts, that they will finally become abandoned?

Mrs. BRUCE. I think that would be the natural consequence of housing by the Federal Government.

Mr. TRANSUE. If rents are fixed in an amount that these people can pay in comparison with their incomes, will that have a salutary effect upon some of these other tenements where there seems to be a tendency to charge all that the traffic will bear?

Mrs. BRUCE. Yes; I think so, but so long as we have a shortage in housing I am afraid they are going to be charged all the traffic will bear, and it is a question of supply and demand.

The CHAIRMAN. We thank you.

Mr. CRAWFORD. Mrs. Bruce, as to these unfortunate and discriminated against people to whom you refer, is their income largely under $700 a year for an adult worker?

Mrs. BRUCE. You mean for the head of the family?

Mr. CRAWFORD. Yes; an adult worker, whether the head of the family or an older son.

Mrs. BRUCE. I was wondering whether you meant the aggregate amount of the income.

Mr. CRAWFORD. Will that average less than $700 per year for an adult worker?

Mrs. BRUCE. I think in very many instances that is true, because you must remember that 60 percent of the Negroes are in the lowest-paid occupations, agriculture, domestic and personal service; 22 percent of them are in domestic and personal service.

Mr. CRAWFORD. Do you think those people under $700 a year, or even under $500 a year, should be treated as charity problems, or do you think they should be taken care of in a housing proposition such as we are here considering?

Mrs. BRUCE. I think some of them would not object to charity. It is human nature of them not to, but I think the vast majority of them would not want charity.

Mr. CRAWFORD. I do not think I made myself clear. Do you think in passing legislation that we ought to provide for them in housing legislation, or that we ought to leave them to charity?

Mrs. BRUCE. I am inclined to think that it is the function of government to look after the citizens who are least able to look after themselves. The ones who are sound of body and of mind, who are able to work and who are willing to work, should be helped.

Mr. CRAWFORD. I have not made my question clear. Do you think in passing housing legislation that we ought to so design it that these lowest-income people, under $700, should be cared for in a housing project, or that legislation should be so designed that they will be left to charity? The reason I have asked that question is because your statement has indicated that their income will average less than $700 a year. I was trying to find out whether you want them taken care of, or do you want legislation so designed that it will not take care of them?

Mrs. BRUCE. Certainly not. I should want them taken care of until their economic status becomes such that they could help themselves.

Mr. CRAWFORD. And this legislation is so designed that it will do that very thing?

Mrs. BRUCE. Yes.

Mr. CRAWFORD. You want it so designed?

Mrs. BRUCE. Yes; that it will.

Mr. MCKEOUGH. Mr. Chairman, Mr. Ernest J. Bohn, representing the housing committee of the Cleveland City Council, has sat here all week, and would like to be heard briefly.

The CHAIRMAN. We will hear him now, if it is agreeable to the committee, Mr. Bohn.

STATEMENT OF ERNEST J. BOHN, REPRESENTING THE HOUSING COMMITTEE OF THE CLEVELAND CITY COUNCIL, AND THE BOARD OF DIRECTORS OF THE NATIONAL ASSOCIATION OF HOUSING OFFICIALS

Mr. BOHN. Mr. Chairman, and gentlemen of the committee, I am appearing before your committee in my capacity as chairman of the housing committee of the Cleveland City Council and also as past president and member of the board of directors of the National Association of Housing Officials.

The housing committee of the Cleveland City Council, which has endorsed the Wagner-Steagall bill, a copy of which endorsement I have here, was one of the first official municipal housing agencies to be formed and organized even before the present national administration came into power. This endorsement is as follows:

An emergency resolution memorializing the Congress of the United States to enact the "United States Housing Act of 1937", being S. 1685 and H. R. 5033.

Whereas, many persons in this community are unable to provide themselves and their families with decent, safe, and sanitary housing facilities without some degree of aid from Government; and,

Whereas, the continued maintenance of our slum areas is not only socially undesirable but constitutes a great economic drain on the community and should therefore be no longer tolerated; and,

Whereas, Cleveland has already begun its attack on the problem of low rent and slum clearance with the aid of funds made available by the Federal Emergency Administration of Public Works; and,

Whereas, it is not only desirable to preserve the benefits of the program so far undertaken but to make use of the experience gained through the demonstration projects which not only cleared some of our worst areas and provided decent housing facilities for some of the members of the lower income groups but provided many thousands in and out of the construction industry with employment; and,

Whereas, no further moneys are now available for either loans or subsidies to continue this program unless a permanent Federal agency is created with power to make loans and grants for housing and unless Congress makes the necessary appropriations; and,

Whereas, the Cleveland City Council has heretofore memorialized Congress to enact this type of desirable housing legislation; and,

Whereas, there has been introduced in the Congress of the United States the "United States Housing Act of 1937", being S. 1685 and H. R. 5033, which, if enacted, will make possible the continuation of the low-cost housing activities of this and other communities, and embodies the major provisions of the Housing Act passed by the Senate last year and the passage of which was recommended by the city council; and,

Whereas, this resolution constitutes an emergency in that the same provides for the usual daily operation of a municipal department; now, therefore, be it

Resolved by the council of the city of Cleveland:

SECTION 1. That the United States Senate be and it is hereby memorialized to enact at the earliest possible date the "United States Housing Act of 1937", being Senate bill 1685, and that the House of Representatives be and it is hereby memorialized to enact the identical measure, being H. R. 5033.

SEC. 2. That a copy of this resolution be sent to the President and Vice President of the United States, to the Speaker of the House of Representatives, to Senator Hugo Black, chairman of the Senate Committee on Education and Labor, to Representative Henry B. Steagall, chairman of the Committee on Banking and Currency of the House of Representatives, to Senators Robert J. Bulkley and Vic Donahey of Ohio, and to the following Members of the House of Representatives from Ohio:

Joseph A. Dixon, Herbert S. Bigelow, Byron D. Harlan, Frank L. Kloeb, Frank C. Kniffin, James G. Polk, Arthur W. Aleshire, Brooks Fletcher, John F. Hunter, Thomas A. Jenkins, Harold K. Claypool, Arthur P. Lamneck, Dudley A. White, Dow W. Harter, Robert T. Secrest, William R. Thom, William A. Ashbrook, Lawrence E. Imhoff, Michael J. Kirwan, Martin L. Sweeney, Robert Crosser, Anthony A. Fleger, John McSweeney, and Harold G. Mosier.

SEC. 3. That this resolution is hereby declared to be an emergency measure and, provided it receives the affirmative vote of two-thirds of all the members elected to council, it shall take effect and be in force immediately upon its adoption and its approval by the mayor; otherwise it shall take effect and be in force at the earliest time allowed by law.

Adopted March 1, 1937.

A. L. DEMAIORIBUS,
President of Council.

H. C. MILLER,
Clerk of Council.

Effective March 3, 1937.
Approved by the Mayor, March 3, 1937.

Its interests were city-wide, and it began its work with no commitment to any particular method of solving the housing problem. Early studies revealed the appalling cost of substandard housing in municipal expenditures as well as social maladjustments and ill health. I shall not burden you with figures on this subject, which is adequately treated in the hearings before the Senate Committee on Education and Labor, both this year and last year. The housing committee first turned to the city government of Cleveland for assistance in providing better accommodations for families whose housing was the worst. Financial condition of the city made it impossible to proceed along this line. Limited dividend corporations were then suggested as a possibility. The necessary enabling State legislation was secured and vigorous attempt made to raise private funds for a limited dividend corporation in Cleveland. Such funds were not forthcoming and it was soon obvious that even though they could be secured, housing accommodations produced at even a limited profit would not be available to families now living in substandard housing. The city, therefore, turned to the Federal Government for assistance and secured additional State enabling legislation which would permit an attack upon the slum problem by authorized public bodies known as housing authorities. Concurrently with the efforts in Cleveland, other cities were gaining similar experience. For the purpose of pooling useful information and rendering mutual service, the National Association of Housing Officials was formed in 1933. This is a private, nonprofit, nonpartisan organization whose sole object is to improve the administration of public activity in housing. The association's members are officials or staff members of public-housing agencies, and persons in unofficial-housing agencies, such as citizen-housing associations, and other persons with a vital interest in the housing problem.

I should like to review briefly the objectives shared by all of those interested in improving housing conditions, and some of the attempts which have been made to improve these conditions. All groups, regardless of their attitude toward the legislation in question, favor the elimination of bad housing. For several hundred years we have tried through restrictions on new construction to prevent the erection of housing accommodations that, because of faulty structure, or inadequate provision for light, air, sanitation, etc., would be hazards to the occupants or the public as soon as they were built. This type of restriction is gradulaly improving the grade of new housing and at the same time is bound to raise the cost of such housing over and above the cost of old structures that were built previous

to the application of such restrictions. Furthermore, these building codes do not serve to eliminate existing poor housing. Cities, therefore, have sought, with varying degrees of success, to establish regulations which would permit the condemnation and removal of existing housing that was obviously a menace to the community.

The demolition of slums holds a great appeal to all forward-looking citizens and the usual suggestion is simply to solve the housing problem by eliminating the bad housing. Some communities have tried this in orderly fashion over a period of years, while others have undertaken extensive campaigns only recently. The city of Milwaukee has been engaged in the orderly condemnation and demolition of substandard housing for some 8 years. Two years ago the annual report of the inspector of buildings, who is charged with this work, predicted the impossibility of continuing such activity without creating a serious housing shortage. I quote from his report, as follows:

Our slum-clearance activities during this year disclose that the number of worthless buildings which have been razed this year to date exceeds the number razed last year by 67 buildings, reaching an all-time record of 750 buildings. Demolition of these worthless and unfit buildings will be continued during the next year. However, we are beginning to feel somewhat uneasy, fearing that unless our program is supplemented by a construction and reconditioning building program an acute lot rent housing shortage will soon be upon us.

During the current year citizens of Chattanooga, Tenn., having become aroused over poor housing conditions, have prevailed upon their city government to inaugurate a demolition campaign. The limitations of such a campaign, unless supplemented by construction of low-rent housing, are brought out clearly in the following passage in an editorial in the Chattanooga Times, June 16, 1937:

The slum dwellings must come down. At no cost should human beings be permitted to live among conditions of animal-like squalor. In earlier stages of the campaign, some effort was made to form a council to provide housing for those who must vacate the hovels pulled down by wrecking crews. That effort, apparently, was a failure. The acuteness of the situation was not realized as long as the impression existed that the slum families were finding new places of refuge. Now, however, the "tent city" controversy brings home the fact that what is needed is a plan for housing those who are required to give up the only home they know.

In the city of Chicago a joint activity of several official housing agencies cooperating with the citizens housing group has resulted in the elimination of 11,297 living units during the period from June 1934 to the close of 1936. The shortage of housing accommodations, especially in sections of the city inhabited by Negroes has now become so acute that the Federal Government is practically unable to tear down the remaining buildings on a site which it has purchased for a low-rent housing project. Constant policing is actually required to prevent new tenants from moving back to slum housing between the time the present tenants are moved out and the wrecking crew arrives. Vacancy reports just received from a number of cities by the National Association of Housing Officials are listed below:

Pittsburgh: Shortage acute. No low-rent vacancies except houses unfit for occupancy. Rents up 15 percent in poor housing on May 1.

Philadelphia, Pa.: One percent vacancy; 20 percent of housing in need of major repairs; 13½ percent of housing overcrowded; only seven new houses per year from 1930 to 1935.

Cleveland: Two percent vacancy, 2½ percent of families doubled up (no construction of low-rent housing.

Jacksonville: Estimated vacancy adequate housing of 1 percent.

Nashville: Three percent vacancy now exists in low-rent accommodations.

New Jersey: Present vacancy less than 4 percent and diminishing rapidly. Existing vacancies found chiefly in blighted areas.

Four percent vacancy is commonly considered a minimum for a normal real estate market.

It is well known that in times of shortage and rising rents, low-income families suffer the most either by being forced into poorer and poorer accommodations or by having to pay more rent out of their small income, or both. I cite the above information about the effect of housing demolition and about existing shortages as evidence that it would be extremely unwise at the present time to establish in any legislation a rigid policy requiring demolition of housing to an extent equal to the contemplated new housing, if a community is to qualify for Federal assistance.

I have here some telegrams which we receivd in response to our inquiries on this matter, which are as follows:

[Telegrams]

JACKSONVILLE, FLA., *August 4, 1937.*

National Association of Housing Officials,
Transportation Building, Seventeenth and H Streets NW.:

Relet second Jacksonville has estimated vacancy adequate housing of 1 percent. Estimated minimum rental per room per month decent housing, $4. One additional housing project application filed with P. W. A. and three projects planned totaling 3½ million.

RAY O. EDWARDS.

NASHVILLE, TENN., *August 4, 1937.*

National Association of Housing Officials,
Transportation Building, Seventeenth and H Streets NW.,
Washington, D. C.:

In regard to your letter, Nashville housing committee believes 3 percent vacancy now exists in low recent accommodations; also $5 minimum rental per room per month to secure minimum standard decent housing; and committee has previously determined $10,000,000 as cost of next program when and if funds are available.

GERALD GIMRE,
Secretary, Nashville Advisory Committee on Housing.

NEWARK, N. J., *August 4.*

National Association of Housing Officials,
Transportation Building, Seventeenth and H Streets NW.,
Washington, D. C.:

Replying to your letter, one recent survey indicates present vacancy in New Jersey less than half 1935 vacancy of 8 percent and diminishing rapidly. Existing vacancies found chiefly in blighted areas. Few in good neighborhoods.

Two. Minimum rental of more than $8 per room per month necessary to secure good accommodations in large.

Three. Numerous public and private housing projects in formative stage in addition to 30 applications filed with P. W. A. by us.

FRED W. EHRLICH,
Chairman, State Housing Authority.

[From letter, P. L. Strait, Aug. 6, 1937, secretary, Youngstown Metropolitan Housing Authority]

(1) Less than 2 percent vacancy in low-rent accommodations which includes dwellings unfit for use.
(2) Rentals range from $15 to $25 for poor housing.

[From letter, James McIntyre, Aug. 3, 1937, supervisor of field work, Pittsburgh Housing Association]

A few weeks ago we made a hurried check of rentals and vacancies, found that decent housing is almost impossible to find except occasionally in the luxury class. Demand has brought rents up about 15 percent in the poor-housing districts and higher for better standards as of May 1. In some instances tenants are bidding for quarters. Paid rents for housing which in most instances does not comply with minimum standards of decency and located in undesirable neighborhoods, is about $5 per room. Nothing appears to be available except dwellings unfit for habitation and which owners do not feel worth reconditioning. According to real-estate brokers, rents will advance sharply at the next leasing period. Building in Allegheny County does not yet begin to cover the shortage.

As further evidence on this point, may I cite experiences from countries who have long been engaged in public housing? Great Britain was faced, after the World War, with a housing shortage similar to the one which is now developing in this country. From the close of the war until the end of 1934 only 1.7 of the housing built with subsidies from the Central Government was constructed on sites of former slums. All of the rest was built on vacant sites in order to relieve shortage before making a direct attack through slum clearance. In the metroplitan area of London, since 1919 only about 12 percent of the public-constructed housing has been built within a 5-mile radius of the center of the city; obviously not a slum-clearance program. One has only to consider the housing programs in Leeds, Zurich, Frankfort on the Main, and Amsterdam, to see that European experience points toward the construction of low-rent housing accommodations mainly on vacant sites during the periods of housing shortage. It might be well to point out in addition that in Great Britain the central government has a great deal of power over cities and could if it had wished to do so, have forced the removal of substandard housing even without the extension of aid in the form of subsidies. It would seem unwise therefore, if we are to gain by British experience to lay down a rigid policy which if followed in some of the cities would create conditions of overcrowding that are fully as harmful to the tenants as is actual physical deterioration of their houses.

A number of suggestions for a solution to the low-rent housing problem, other than those emphasized in the Wagner-Steagall bill, either have or will be presented to the committee. You have been told of the "filtering-up system", whereby housing produced for moderate income groups is supposed to draw tenants from poorer accommodations, thereby leaving these accommodations for the low-income group. It is not difficult to estimate the efficacy of this process. It has been functioning in theory for over 200 years in this country and with a large-scale shifting of population from cities to suburbs, millions of homes have been left vacant for the low-income class. By and large these vacated homes constitute today our slums and blighted areas. On this point may I quote again from the report of the building inspector of Milwaukee for the year 1935:

While on the subject of housing we want to warn credit agencies and property owners against an indiscriminate practice of altering existing buildings to house additional families merely because this is permitted under a permit by the zoning ordinance, thereby permitting the property owner to temporarily enjoy an additional income on his investment. We note that in a great many instances these alterations tend to noticeably lower the standard of housing, thereby affecting also the standards of living. The crowding of additional dwelling units in our existing buildings, while temporarily increasing the income from the premises, will surely deteriorate and blight a neighborhood, which will surely affect property values, and such buildings will become our future slum problems. We believe that a decentralization of the populations of our American cities is taking place either by voluntary action by the people for economic reasons, by industry, or by Government encouragement and resettlement projects. This decentralization of populations may be a turning point in our housing and living modes and we believe it will have a definite influence on housing within our cities. What this influence will be is difficult to determine but we are sure that inconvenient, crowded and substandard housing will then present new difficulties for those property owners who without any regard for the additional profit which present day economic conditions provides them. When economic conditions improve these property owners, we believe, will be faced with losing ventures for, while there still will be a housing shortage, the demand for housing will not be of the standard as is now being provided by altering existing buildings.

Again referring to European experience, I quote from European Housing Policy and Practice, written by Ernest M. Fisher and Richard B. Ratcliff, of the Federal Housing Administration in 1936, and based upon their observations in Europe during that year:

It may be said with assurance, however, that no evidence has been adduced in England and Holland, nor in any other country, that dependence can be placed on this procedure (filtering-up) for a substantial improvement in the housing conditions of the lower-income group. Cures of a more positive nature are demanded.

Suggestion is also made that substandard housing should simply be repaired. This procedure may prove helpful in some cases. It is not advisable in areas which are obviously ripe for demolition and it will have little effect in mitigating the present shortage. The city of New York, having secured special State enabling legislation, is now engaged in the use of municipal credit for the repair of tenement houses that did not comply with the law but are still sound enough to warrant the necessary expenditure. Such work is interesting and useful and can be incorporated in the program provided for in the bill now before you, but it is not sufficient.

One of the most commonly discussed suggestions is that of subsidizing the low-income family instead of the structure and letting the family then find adequate accommodation in private market. There are several weaknesses to this proposal. First, there is not anywhere near enough housing of the standard available, and private enterprise could not be persuaded to erect accommodations specifically intended for low-income groups without some assurance that the Federal and local governments could contribute enough subsidy and maintain payments over a sufficiently long period. Certainly the record of rent payments by relief agencies and the small income which eventually should result from the operation of social-security legislation are not sufficient to encourage private enterprise to undertake new construction, the financial success of which depends upon payment of rents by public relief or social-security agencies. Second, the administrative agency has to engage in case studies of families necessary to determine rent relief for which they were

eligible, but it also would have to check constantly on the recipients of relief rent to see that they were spending their funds for housing of an approved minimum standard. Without a control over existing housing which it will take years to evolve in most large cities, there is a great danger that the payment of subsidies to families would often result in the subsidizing of the continuation of substandard housing.

The suggestion has also been made that what we really need is the development within our cities of neighborhood units having the power to engage in extensive rehabilitation. A model State enabling act designed to facilitate the creation and functioning of such neighborhood associations has been prepared by the National Association of Real Estate Boards. Such an act was introduced in the Missouri Legislature this year and failed of enactment. It was also introduced in Michigan, where it passed the legislature, but was vetoed by the Governor. City planners and housing experts agree on the necessity for more positive city planning control and the treatment of natural neighborhoods according to their needs. Possibly some modified form of a neighborhood improvement act will be passed in due time in various States. There is no way at present, however, to attack directly the question of rehabilitation of slum and blighted areas save through the operation of local public housing agencies. Even in cases where necessary legislation must be secured and a neighborhood improvement association formed, low-rent housing could not be produced without the extension of considerable subsidies to such a neighborhood association. This raises a very debatable question of entrusting public subsidies to private agencies.

There may be some doubt among members of the committee as to the necessity of creating a permanent housing agency. May I point out that none of the existing Federal agencies has power to engage in the development of further low-rent housing. The Federal Home Loan Bank Board has never engaged in such activity and rightly so, because its business is to assist private housing enterprise in the field where it can function effectively to produce housing at a profit. The Resettlement Administration has confined its housing efforts to assisting individual farmers, building a number of rural communities in which were resettled families who could not make a living in their former locations, and building three Greenbelt towns such as the community bearing that name located adjacent to the District of Columbia. The Federal Housing Administration by its own admission cannot produce housing at rentals which make it available to the low-income groups. The large-scale limited-dividend housing projects developed by the P. W. A. Housing Division using all possible economies offered by large scale operations and Federal credit at 4 percent produced an average rental of about $10.38 per room per month. Similar projects developed by the large scale division of Federal Housing Administration and financed entirely by private capital have even higher rentals. The P. W. A. public projects, using a 45-percent capital grant and with interest at 3 percent or less have produced average rents of $5.34 per room according to testimony of Secretary Ickes. The bill before you deals with a nonprofit and subsidized type of housing which cannot possibly be provided by any existing Federal agency because of the absence of necessary authority or necessary appropriations.

I would like to add a few comments about the general problem of making the transition from the unnatural centralized program which has been pursued during the recent emergency years by the Federal Government and a long time decentralized program depending largely upon the activity of local housing agencies for its success. The transition cannot be made suddenly. By building even the small amount of public housing that we have in 4 years, we have in reality telescoped the experience which was measured in other countries in decades rather than years. We are emerging from the trials of recent years with a sudden realization that housing is a problem of permanent national concern. I believe it is unreasonable to expect that our emergency precedes such a significant change in social viewpoint as is reflected in the Wagner-Steagall bill. Only those who have been in close contact with local housing agencies can understand the extreme variation in their respective capacities to assume both financial and administrative responsibilities. For instance, some cities that have suffered severe damage from recent floods, present cases of extreme need for assistance in housing and yet have absolutely no resources. Inasmuch as major provisions of the bill cover only a 3-year period and it can be amended at the will of Congress, I believe it is desirable to incorporate only as many specific restrictions as are necessary to protect the use of Federal funds and obtain the general objectives. Therefore I suggest that the policies of administration dealing with local financial participation, limits of subsidy, relation of demolition to new construction, and eligibility of tenants be left as flexible as possible.

The Wagner-Steagall housing bill represents the best judgment of housing officials who have given this problem years of thought. It is recognized that it varies from the proposals put forward by a number of other interested groups, whose chief concern is not the provision of housing for those who cannot pay an economic rent, but rather the production of housing on a profitable basis. To these other interests the Federal Government has already extended hundreds of times the assistance extended to low-rent subsidized housing. For them it has enacted legislation establishing permanent organizations and policy. Low-rent public housing is the one part of the housing problem that has not received the benefit of any long-range program policy or assured appropriation. I sincerely believe that the enactment of the Wagner-Steagall bill with as few variations from its original form as possible will go far towards fulfilling the obligations of the Federal Government.

The following comments are added because of this particular reference to points raised in testimony given before the committee:

First, as to mandatory slum clearance: Alarmingly low vacancies or existing conditions of shortage and resultant overcrowding are reasons for a careful consideration of any amendment requiring that substandard dwellings be eliminated in equal number and concurrently with new construction. Efforts of cities to qualify for Federal aid by complying with such a requirement might bring about serious conditions of overcrowding which are even worse than the situation which the bill seeks to remedy. If the committee wishes to place restrictions upon the United States housing authority in this respect, consideration might be given to requiring elimination of substandard

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housing in such amount as will not result in a vacancy of say less than 2 percent in living units in or below the rental range for which the new building is intended. Real estate authorities agree that a minimum normal vacancy should not fall below 4 percent.

Next, as to limitation of construction cost: While there is merit in the idea of limiting the maximum costs in order to prevent extravagance and insure low-rent housing, care must be exercised to avoid the imposition of limitations that might render the program unworkable. Arbitrary inflexible figures which do not allow for regional differences and fluctuations in construction cost, if too high, are no safeguard and if too low will prohibit construction of the character necessary to insure sound recognized standards of design and building without which standards there can be no assurance that the buildings will remain in habitable condition over the long amortization period essential to the attainment of low rents.

As to local contributions: The policy of requiring local contributions is sound. All cities having P. W. A. public housing projects either have shared or are to share in either development or operation costs. As a practical matter, however, it is impossible to estimate the exact present or future value of all these various forms of contribution and it was utterly impossible to establish them as fixed preliminary requirements. The contributions arose from a natural competition for Federal assistance and a local desire to attain low rents. The ultimate objective of the program should include the setting of fixed requirements for local contribution as is practiced in the mature program of Great Britain. Although the bill recognizes this principle, it also recognizes the impracticability of imposing mandatory requirements during our present transition from a centralized program and our emergency from a depression has crippled local government finance. In the face of local legal and economic limitations even the most genuine desire for Federal assistance in some needy localities cannot bring about compliance with set requirements for contributions soon enough to permit participation in the 3-year period covered by the appropriations. It might be advisable to indicate in the bill mandatory requirements that would come into effect at a stipulated time after enactment of the bill, thereby enabling local communities to shape their financial programs and status accordingly.

In regard to the rural application of legislation, although the greatest benefits under the bill will accrue to cities, rural areas may participate by incorporating State, county, or village housing authorities under proper State statutes, thus qualifying for grants and loans. Equal opportunity is afforded in rural areas for the formation of cooperative housing societies, limited profit corporations, or for obtaining demonstration projects constructed by United States housing authority.

As to the income group served—using the maximum grant permitted and paying full local taxes on a project, rooms might be produced to rent for $4.39 per month. To determine the income group reached multiply this figure by three and one-half to get the average size living unit and then by five to compute an income of five times the rental. Such housing would be available to families with an income of $77 per month. Local contribution toward subsidy or cost of the project reduces the rent and therefore makes the accommodations available to families of even lower income. The indigent, no income or lowest income groups, obviously cannot be housed without putting the projects on a basis of absolute charity.

As to the limitation of program to experimental period: One of the major objects of the bill is to establish a permanent policy which will encourage the development of local responsibility and participation. To limit the existence of the United States housing authority to a short period of years would deter States from passing suitable enabling legislation and would prevent cities which have not developed local plans from embarking upon important preliminary work. For example, the State of Michigan now has a law which permits public housing activity only in Detroit. Other cities are interested but cannot be expected to seek amendments to State legislation or to make expenditures for necessary preliminary local planning unless they are assured of the Federal Government's permanent participation in public housing.

These hearings have developed that we are all for slum clearance, that will get us low-cost housing which we have been looking forward to for years. Everybody is for it. I trust low-cost housing will not get in the same situation as peace. We are all for it, we all say so, but nothing is being done about it.

I am almost ready to rest my case on the testimony of the opposition which has been adduced here. I think the opposition has made an excellent argument for us. They are all for slum clearance——

Mr. McGRANERY. Do you mean the chamber of commerce?

Mr. BOHN. Well, I am in public life like you are, sir, and we will not mention any names. The point is that everyone is in favor of low-cost housing, and a lot of fantastic methods have been advanced to secure it. They say, let us have research about low-cost housing. We know we need low-cost housing. Everybody wants it, and there is only one way to do it, and that is to provide the necessary funds.

Then, further, the proposition has been advanced here that a public housing program will stymie and interfere with the private construction of houses.

Now, gentlemen, I come from a city where they have just completed two P. W. A. projects, or one is nearing completion at the present time. About $11,000,000 has been expended in the city of Cleveland by the P. W. A. Incidentally, Ohio was the first State that enacted a public housing authority law. Cleveland was the first city in the country which had a public housing authority. I can say to you that as a result of private investigation the P. W. A. housing activity in Cleveland has not held back or interfered with private construction of houses. These statements about such activities putting lumber dealers out of business is a lot of nonsense. It does not make a bit of difference who builds the houses, whether the King of England builds them, the United States Government, or private enterprise, lumber is needed in the building of those houses and it will be purchased. No one is going to put the lumber dealer out of business.

Some suggestion has been made here that private enterprise engaged in building wooden houses has lost employees from those jobs, that they went over to these Government projects. Well, as has been stated here, they have lost employees because they have

not been paying the wages that the P. W. A. has been paying. That was brought out by questioning of the gentleman from Illinois. The fact of the matter is that the persons in charge of P. W. A. construction also complained that there was a shortage of labor and that the people engaged in private enterprise took their labor from P. W. A. projects. Therefore, if a person has a job he doesn't care very much who he is working for, so long as he is receiving fair wages and making a living.

The association that I represent, the National Association of Housing Officials, has taken occasion to make an investigation as to just what effect the P. W. A. projects have had in these cities. That investigation showed the increase in construction by private enterprise was just about the same where P. W. A. construction has been going forward as in the cases where there was not any of it. It is my belief, substantiated by the belief of many others, based upon investigation, that, rather than curtailing the activities of private enterprise in building the public-housing program is going to accelerate building, and will increase the public interest in building. Those people in my city are now going out to the P. W. A. projects that have been completed, and they see those projects, and say I would like to live in such a project or in such a house. There are many, many applications, and, unfortunately, a great many of those applicants are not able to qualify. Some of them do not have sufficient income, and some of them cannot qualify because their income is too great. If their income is such that they are not entitled to live in a subsidized house they are going back to their building and loan association, or to their landlord, and say, "We are paying too much for the facilities we are now enjoying or living in. We want more for our money." The landlord will have to do something about it. That is the basis of recovery in England. The public-housing program in England started in just the same way as ours. It began as an emergency, and it did not begin as any long-planned program. When there was objection to the draft during the war, Lloyd George, then Prime Minister, said, "Do not oppose the draft. When you come back from the war we will house you adequately. You will not have to go back to the slums." "Homes for heroes", was the slogan. "Do not oppose the draft. When you come back we will put you in a decent place to live." At that time the Government furnished all of the money for building these homes. There was nothing at all in the law at that time requiring local contributions by the cities. It was a national emergency, the national emergency being to furnish houses to people who served overseas. They added it on to the cost of the war. It was just as much a part of the cost of the war as the money spent for arms, ammunition, airplanes, battleships, food, and clothing for the soldiers. As the program developed year by year new housing laws were passed, and the old laws were amended, so that today this program does require local contribution. As our program develops that contribution will be made. But we should learn by England's experience, and not stymie our program by requiring too much local contribution in the beginning. I am in favor of making local contributions, as Secretary Ickes said in his testimony here yesterday. In England houses were furnished to those people entitled to a subsidy. Persons of the higher-income group saw those houses, that they were better

than their own living quarters, and they wanted to live in those places. They were not eligible because they were not entitled to a subsidy. They then went back to their landlords and said, "We want a decent place to live in. We want to be housed as well as the people that we are housing out of our taxes we pay to the Government." That, Mr. Chairman, was the beginning of the building boom in England that we have been reading about. That was the reason why England began emerging out of the depression sooner than we did. It was their public-housing activities that embarked England upon its construction boom so that public-housing activity stimulated the construction program, and stimulated private enterprise in the construction business rather than holding it back.

As I have previously stated, the cost of a public-housing program was added on to England's cost of the war. Part of that cost was paid by the billions we loaned to England, which I have not yet heard of being repaid. We helped England to finance the war, to win the war, and to pay the initial cost of their housing program. If we can give them billions of dollars to finance the war and their housing program why should we hesitate to spend a fraction of that amount for the benefit of our own people?

I do not want to hold you any longer. I am more accustomed to sitting on the other side of the table, both as a former member of the Ohio Legislature and as a member of the city council. I sympathize with you in what you have gone through in the last 4 days. I do request that you give some consideration to what I have said, because I have answered some of these fantastic schemes that have been presented here in opposition to this bill.

Mr. TRANSUE. Do you mind answering the question that I have asked a good many, about the amount of income that the people who live in these blighted areas will have, whether they will have sufficient income to take advantage of this program, and what proportion of them will be able to take advantage of low-cost housing?

Mr. BOHN. The income varies according to the part of the country in which they live.

Mr. TRANSUE. Take your own city of Cleveland, for example.

Mr. BOHN. All of the rents are graded. We have two projects in Cleveland, and we will be able to house families whose minimum income is $700, and whose maximum income runs up to $1,950 a year. That $1,950 seems to be a very large figure, but that is due to the provisions of your Walsh-Healy bill, and has to do with the number of persons who occupy five-room apartments. We have two-room apartments also, which are for two persons whose minimum income is $700 a year and whose maximum income is $1,300 a year.

Mr. TRANSUE. As to this $1,900 income, would that be for the whole family?

Mr. BOHN. That is where a five-room apartment is occupied. There is another project in Cleveland that has even lower rents, and there we will be able to accommodate families earning as low at $670.

Mr. TRANSUE. How much is the rent on the two-room apartments there?

Mr. BOHN. The minimum rent for the two-room flat is $17.85 a month. That is under the restrictions of the George-Healy bill. That is on a 45-percent grant with a maximum 3-percent interest, and

amortization over a period of 60 years. No person is eligible to receive an apartment whose income is more than five times the rent, and the person must be living in a substandard dwelling.

In fairness to these other projects that the P. W. A. has built, Cleveland was one of the very first cities in the country to undertake a public-works program. The contracts in Atlanta were the first awarded and those in our city were the second. So, we did have advantage of the very low wage scale which was in effect at the time they were built.

The CHAIRMAN. Thank you, Mr. Bohn.

Mr. HANCOCK. Mr. Chairman, I would like to place in the record a proposed amendment to H. R. 5033 for the further assistance of independent H. O. L. C. borrowers, proposing a reduction in the interest rate.

The CHAIRMAN. It may go in, and the committee will consider it.

(The amendment proposed by Mr. Hancock of North Carolina to H. R. 5033 is as follows:)

Section —. (a) Subsection (d) of section 4 of the Home Owners' Loan Act of 1933, as amended (U. S. C., 1934 ed., title 12, sec. 1463 (d), is amended by inserting after the fifth sentence in such subsection the following new sentence: "The rate of interest on the unpaid balance of a borrower in arrears, due to unemployment or to economic conditions or misfortune beyond the control of the borrower, shall not exceed 4 percent per annum for all interest payable on installment dates occurring after 120 days from the date of enactment of this amendatory sentence."

(b) Section 4 of the Home Owners' Loan Act of 1933, as amended, is further amended by adding a new and additional subsection (o), as follows: "(o) The Corporation is authorized under such rules and regulations as the Board may prescribe, to sell its real estate and mortgages for such consideration as the Corporation deems advantageous, including the shares, certificates of deposit or investment certificates of any member of a Federal Home Loan Bank. In the event any such sale is for the purpose of assisting slum clearance or low-rent housing activities, such assets may be transferred for cash or securities of any public housing agency."

(Supplement to testimony of Ernest J. Bohn, statements of H. C. Bates, Lower East Side Public Housing Conference; letters of Darwin R. James, Mortimer Riemer, and Charles C. Mayer; resolution of Charles C. Mayer.)

SUPPLEMENT TO TESTIMONY OF ERNEST J. BOHN BEFORE HOUSE COMMITTEE ON BANKING AND CURRENCY

In my oral testimony, I stated that I was definitely of the opinion that public housing activity would stimulate private construction rather than curtail private enterprise. I cited experiences in my own city of Cleveland and also the English experience. I quote from Bulletin No. 110 of the National Association of Housing Officials dated April 26, 1937:

"Often have some of the economic sages, the 'practical men' and their hangers-on assured us that public enterprise in housing, no matter how carefully limited and guarded, would paralyze private building. Seldom was evidence, let alone proof, offered. Arguments based on English experience were lightly passed off with value references to the 'different conditions in this country.'

"A short time ago I had occasion to test this assertion so dear to many hearts. I compared the residential building increases for the first 10 months of 1936 over the same period of 1935 in the larger cities having P. W. A. housing projects and in cities of the same size without such developments. As you will recall, late in 1935 the President set a deadline for letting contracts on Federal projects to be done with work-relief funds. This forced the Housing Division to curtail its program and to make an actual start in the cities in which its projects were furthest advanced. Thus private builders and developers in some cities knew that in the near future, public subsidized housing would be open

for tenants in their localities. Those in other cities knew that they were safe from this supposed threat for a few months at least. None could see very far ahead in this respect; no further, in fact, than they or we can see in most other housing matters.

"Surely this combination of circumstances, unfortunate in many respects, provides some evidence on the theorizing of our practical men—not proof conclusive, to be sure, but direct evidence. The record shows that in cities of 100,000 and over without P. W. A. housing projects, private residential building increased 112 percent by value and 118 percent in the number of family units from 1935 to 1936. The same sized cities with P. W. A. housing developments showed increases of 128 percent in value and 112 percent in number of units provided. P. W. A. housing so far apparently hasn't quite paralyzed private builders despite the wailing of a few of their professional spokesmen."

(Signed) COLEMAN WOODBURY, *Director.*

The National Association of Housing Officials, of which I have the honor of being the past president and on whose executive committee I am now serving, has followed the progress of pending housing legislation. Its officers have testified before both Senate and House committees on the Wagner-Ellenbogen bill and also on the Wagner-Steagall bill. Several controversial points were raised in the testimony before the House Banking and Currency Committee on the pending bill. I took the liberty of sending a memorandum to members of the committee, dealing with these points. I now reproduce these comments for the record, as I believe them to be pertinent, particularly because the Senate modified the original legislation in respect to several of these items:

Rural application of legislation.—Although the greatest benefits under the bill will accrue to cities, rural areas may participate by incorporating State, county, or village housing authorities under proper State statutes thus qualifying for grants and loans. Equal opportunity is afforded in rural areas for the formation of cooperative housing societies, limited profit housing corporations, or for obtaining demonstration projects constructed by United States Housing Authority.

Income group served.—Using the maximum grant permitted and paying full local taxes on a project, rooms might be produced to rent for $4.39 per month. to determine the income group reached multiply this figure by 3½ to get the average size living unit and then by 5 to compute an income of 5 times the rental. Such housing would be available to families with an income of $77 per month. Local contribution toward subsidy or cost of the project reduces the rent and therefore makes the accommodations available to families of even lower income. The indigent, no-income or lowest-income groups obviously cannot be housed without putting the projects on a basis of absolute charity.

Limitation of program to experimental period.—One of the major objects of the bill is to establish a permanent policy which will encourage the development of local responsibility and participation. To limit the existence of the United States Housing Authority to a short period of years would deter States from passing suitable enabling legislation and would prevent cities which have not developed local plans from embarking upon important preliminary work. For example, the State of Michigan now has a law which permits public housing activity only in Detroit. Other cities are interested but cannot be expected to seek amendments to State legislation or to make expenditures for necessary preliminary local planning unless they are assured of the Federal Government's permanent participation in public housing.

Mandatory slum clearance.—Alarmingly low vacancies or existing conditions of shortage and resultant overcrowding are reasons for a careful consideration of any amendment requiring that substandard dwellings be eliminated in equal number and concurrently with new construction. Efforts of cities to qualify for Federal aid by complying with such a requirement might bring about serious conditions of overcrowding which are even worse than the situation which the bill seeks to remedy. If the committee wishes to place restrictions upon the United States Housing Authority in this respect, consideration might be given to requiring elimination of substandard housing in such amount as will not result in a vacancy of say less than 2 percent in living units in or below the rental range for which the new housing is intended. Real estate authorities agree that a minimum normal vacancy should not fall below 4 percent.

Limitation of construction cost.—While there is merit in the idea of limiting the maximum costs in order to prevent extravagance and insure low-rent hous-

ing, care must be exercised to avoid the imposition of limitations that might render the program unworkable. Arbitrary inflexible figures which do not allow for regional differences and fluctuations in construction cost, if too high, are no safeguard and if too low will prohibit construction of the character necessary to insure sound recognized standards of design and building without which standards there can be no assurance that the buildings will remain in habitable condition over the long amortization period essential to the attainment of low rents.

Local contribution.—The policy of requiring local contributions is sound. All cities having P. W. A. public housing projects either have shared or are to share in either development or operation costs. As a practical matter, however, it is impossible to estimate the exact present or future value of all these various forms of contribution and it was utterly impossible to establish them as fixed preliminary requirements. The contributions arose from a natural competition for Federal assistance and a local desire to attain low rents. The ultimate objective of the program should include the setting of fixed requirements for local contribution as is practiced in the mature program of Great Britain. Although the bill recognizes this principle it also recognizes the impracticability of imposing mandatory requirements during our present transition from a centralized program and our emergence from a dperession that has crippled local government finance. In the face of local legal and economic limitations even the most genuine desire for Federal assistance in some needy localities cannot bring about compliance with set requirements for contributions soon enough to permit participation in the 3-year period covered by the appropriations. It might be advisable to indicate in the bill mandatory requirements that would come into effect at a stipulated time after enactment of the bill thereby enabling local communities to shape their financial programs and statutes accordingly.

STATEMENT OF HARRY C. BATES, PRESIDENT OF THE BRICKLAYERS, MASONS AND PLASTERERS INTERNATIONAL UNION AND CHAIRMAN OF THE AMERICAN FEDERATION OF LABOR HOUSING COMMITTEE, BEFORE THE HOUSE COMMITTEE ON BANKING AND CURRENCY

The American Federation of Labor wants the Wagner-Steagall housing bill enacted, in a form as close to the original as possible, in this session of Congress. I say this at the start, boldly and plainly, for several reasons.

First, this is no mere superficial or perfunctory endorsement which we give the housing bill. Our role has not been a passive one in the development of this legislation. The drafting, introduction, and passage of satisfactory low-rent housing legislation, to benefit low-income workers' families, clear slums, and put building workers to work, has been one of our chief concerns for the past 3 years.

A resolution on a public-housing program was unanimously adopted at the convention of the American Federation of Labor in Atlantic City in October 1935. This resolution was very complete and presented a thoroughly worked-out program. I shall quote just a few points from it.

"That a long-term housing policy must be adopted in order to guarantee a minimum standard of decency in housing for all families", and further

"That permanent Federal, State, and local housing authorities, implemented with adequate funds and the power to acquire land and to construct and manage large-scale community housing projects, are the first requirements of an effective long-term program", and further

"That broad Federal, State, and local legislation, establishing workers' housing as a public responsibility, setting up permanent machinery to effectuate the ends herein set forth, and providing adequate sources of funds, must be enacted as quickly as possible."

It was also in accordance with this resolution that President Green appointed the A. F. of L. housing committee, of which Mr. Coefield, president of the United Association of Plumbers and Steamfitters, Mr. Colleran, president of the Operative Plasterers and Cement Finishers International Association, and myself are members.

The A. F. of L. housing committee has made many public statements within the past few years, developing labor's housing program in more concrete terms.

In developing this program, we learned a great deal from the Federal Government's varied experience in the housing field during the past few years. The most valuable experiment has been that of the Housing Division of the

Public Works Administration. It has done and is doing a worthwhile job, but it has been severely hampered by the lack of any definite or continuing national housing policy behind it, by its temporary, emergency nature, and by over-centralization in Washington. It has, moreover, little flexibility, and no established means of working with, or encouraging, local housing authorities or qualified private groups. Much the same may be said of the Suburban Resettlement Division of the Resettlement Administration. They faced the additional difficulty of utilizing relief labor on a force-account basis. The high cost of these projects was due largely to this attempt to combine housing with emergency work relief.

Great plans were originally made for the so-called Low Cost Housing Division of the Federal Housing Administration. It was going to reform the private building industry and change it from a "luxury trade", serving only the upper third income group, to a broad base industry. Therefore, it was claimed, no direct loans or subsidies for low-rent housing and slum clearance would be necessary. I think I can safely say that these claims were among the main reasons why Federal public-housing legislation was not adopted when it should have been—2 years ago.

It is now clear that the Federal Housing Administration's Low Cost Housing Division, now called the Large Scale Housing Division, is a failure. After 3 years, the record can be told in a few figures. Out of 306 projects considered, 237 have been rejected or withdrawn. Another 26 are barely on the "active list." On the situation of the remaining 43, I quote from the Third Annual Report of the Federal Housing Administration, page 15.

"By December 31, 1936, a total of three projects had been completed and four more were under construction. In addition, 10 other projects had been approved and financing arranged, and 26 other projects had been approved, making a total of 43 projects to house 11,475 families, which have been reviewed and approved."

This makes only 17 projects either finished or in the works—for it is very dubious whether financing will ever be arranged for many of the remaining 26.

Moreover, this is not low-rent housing. On page 43 of the same report we see that the average rental per room per month in these 43 "active" projects is to be $13.82. Rents on these projects, which were supposed to be for "families of low income", range as high as $19 per room per month. The private residential building business is still a luxury trade.

Nor do these projects represent low-cost housing—even though most of them estimate labor costs at far less than prevailing wage rates.

All this experience of the past 3 years, has contributed to our strong, unqualified endorsement of the Wagner-Steagall bill. And when I say "we" I do not mean merely a few labor officials here in Washington, I mean every member of every labor organization in the country.

Adequate housing legislation is of primary interest to the organized workers of this country for several urgent reasons. As the Senate committee report states, only 60 percent as many workers are employed today in the building industry as in 1929. Over one-third of all persons jobless since 1929 belong to the construction industry. The house-building business must be established on a broader, more stable basis if real prosperity is to come. This bill will help to do that job.

The most direct reason why workers all over the country want this bill passed is the serious national housing shortage which is descending on us. I urge the members of this committee to read pages 3 and 4 in the Senate committee report, which deal with this subject. I also desire to present each member of the committee with a copy of a recent pamphlet which analyses this situation in detail. It is called, "We Face a Housing Shortage", by Catherine Bauer, and is reprinted from the Housing Officials' Yearbook 1937. The last two pages summarize the paralysing and debilitating effects on our national economy which can be expected from a general housing shortage. They prove that the program made possible under the Wagner-Steagall bill should be expanded by Congress rather than contracted in any way.

It is because of these urgent reasons that the American Federation of Labor has been so actively interested in this bill. Cooperating with the other interested groups and individuals, we have worked with Senator Wagner and his collaborators over all the complicated problems which had to be solved before each section could be satisfactorily drafted.

Every argument and every fact has been aired, debated in the public press, tried and tested from every angle. Changes were made at some points. Critics were won over at others. Gentlemen, this bill before you today is one

of the most solidly constructed, seriously considered, and widely endorsed pieces of legislation which has ever been presented to Congress. I urge you to report it favorably, quickly, and without major changes.

LETTER OF DARWIN R. JAMES, CHAIRMAN OF NEW YORK STATE BOARD OF HOUSING

AUGUST 2, 1937.

Hon. DUDLEY A. WHITE,
Committee on Banking and Currency, House of Representatives,
Washington, D. C.

DEAR SIR: I have been informed that an effort will be made in the House Committee on Banking and Currency to amend the Wagner-Steagall bill by elimination of that part of section 9 which authorizes loans to limited-profit-housing agencies in an amount not more than $25,000,000 in any one fiscal year.

I am further advised that this effort is sponsored by building and loan associations through fear of possible competition from the limited-dividend companies which will be encouraged by the bill in its present form.

I respectfully urge that you will oppose the elimination of this important feature of the proposed legislation.

There can be no competition between limited-dividend companies and the building and loan associations. They perform entirely different functions. The building and loan associations serve well those families which can afford home ownership at an annual outlay of 12 percent for mortgage loans. Building and loan associations do not concentrate their capital in large loans for large-scale housing enterprises such as those erected by the limited-dividend companies. Their loans are confined primarily to single-family dwellings.

The limited-dividend corporations, such as those organized and operated under public supervision pursuant to the terms of the New York State housing law and similar legislation in other States, undertake large-scale housing projects, usually covering several acres of urban land, each representing an investment of several million dollars. The Hillside housing project in New York City contains 4,948 rooms and cost $5,632,000. Knickerbocker Village contains 5,235 rooms and cost $9,395,000. Boulevard Gardens contains 3,308 rooms and cost $3,665,000. The Amalgamated housing project contains 2,315 rooms and cost $3,808,000. There have been erected under the supervision of the State Board of Housing new dwellings for a population of more than 20,000 persons, representing an investment of approximately $30,000,000. These have been made available at the lowest attainable rentals without subsidy other than, in some cases, exemption of improvements from local taxation for a fixed term of years.

All of these projects have been financed with loans representing at least 66 percent of the total cost. No building and loan association has ever made a loan to a limited-dividend project. Mortgage loans for large-scale enterprise have ordinarily been supplied by insurance companies and savings banks. That source of mortgage funds disappeared with the beginning of the depression. Fortunately the Reconstruction Finance Corporation and, later, the Public Works Administration, advanced funds for a limited number of projects. With the termination of the lending activities of these Federal organizations, unless provision is made in new legislation for mortgage loans to publicly regulated limited-dividend companies, further extension of this type of low-rental housing development will be impossible. The primary difficulty which confronts this board today in the advancement of its program is mortgage financing. Not only is it impossible to obtain mortgage loans from insurance companies or banks in amounts necessary to the financing of large-scale enterprise, but it is likewise impossible in the attainment of low rentals to pay the high rates charged by private lending agencies. Even if it were the policy of building and loan associations to supply this need, limited-dividend companies could not afford to accept the terms current on such loans either as to interest or as to the high rate of amortization.

At the present time there is no lack of private capital for equity investment in limited-dividend companies erected under the New York State housing law. The difficulty points directly to the public and semi-public agencies which are the sources of mortgage funds.

Housing boards have been created in 14 States. With the exception of the New York State Board of Housing, not one of them has been able to function, primarily because of inability to obtain mortgage loans.

For some time to come the only possible source of such funds will be a Federal agency such as the authority to be created under the Wagner-Steagall bill. This bill in its amended form is the product of the combined thought of all of those who have practical konwledge and experience in the housing field. It presents a comprehensive program for housing relief. It is being enacted in the face of a rapidly mounting housing shortage. Within definite financial limitations it aims to supply the need of families ranging from the lowest-income groups, which will require outright subsidy, to those in the slightly higher income brackets, who can be decently housed neither through home ownership nor by the product of unaided private enterprise. If the Federal Government is to make any advance in this field there can be no justification for the elimination of any part of the program as presented in the bill. I hope you will use your influence to prevent any ill-considered amendment which may adversely affect the extension of limited-profit low-rental housing under public control.

Yours truly,

DARWIN R. JAMES, *Chairman.*

LETTER OF MORTIMER RIEMER APRIL 13, 1937

Hon. HENRY B. STEAGALL, M. C.,
House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN STEAGALL: At a meeting of the executive committee of the National Lawyers Guild held on April 2, 1937, the committee went on record as being opposed to subdivision B of section 4 of the Wagner-Steagall housing bill (S. 1685) insofar as this subdivision seeks to exempt attorneys employed by the Federal Government from competitive civil-service requirements. The guild urges that the bill be amended to provide that all attorneys employed thereunder be chosen by open competitive examinations with the exception of the chief counsel and policy-making assistants.

The guild is of the opinion that the inclusion of the present provision in the bill is unfortunate in excluding from civil-service positions qualified attorneys. Further, in view of President Roosevelt's program for governmental reorganization, the amendment as we propose, furnishes an opportunity of setting a precedent in establishing civil-service requirements for the employment of attorneys.

Our opposition to this particular subdivision of your bill is by no means to be understood as opposition to the whole housing program as conceived by this type of legislation. The guild heartily endorses the bill itself but wishes to be placed on record in opposition only to that portion of section 4 which seeks to exempt attorneys from competitive civil-service requirements.

In February, at the convention of the National Lawyers Guild, a resolution was adopted which advocated the extension of the civil-service system by the Federal Government to the end that positions for attorneys in Government service be filled upon the basis of merit and fitness, determined by open and competitive examinations. This resolution was submitted to our membership for approval and has thus far been ratified by more than 90 percent of our members and indicates, therefore, the approval of a representative portion of the bar.

I will appreciate it if you will advise me when hearings in the House will be held on this measure so that the guild may appear and be heard in opposition to the above-mentioned particular feature.

Respectfully yours,

MORTIMER RIEMER, *Secretary.*

STATEMENT OF LOWER EAST SIDE PUBLIC HOUSING CONFERENCE

The Senate amendment to the Wagner-Steagall housing bill, limiting the cost per room to $1,000, and the cost per unit to $4,000, is a ghastly joke, but one that slum dwellers cannot appreciate. We cannot but condemn the subtle, clever method of killing the bill by amendment and indirection while ostensibly and hypocritically favoring it.

This amendment has gone further than changing the bill, it has practically repealed it before it has even passed. It is no longer a housing bill but a nonentity.

The amendment is a joker and a farce. It means that in large cities there can be absolutely no housing at all under this bill since experts have established, and it is conceded, that the cost per room, exclusive of demolition and land acquisition, is low at $1,400. This without taking into consideration the rising labor and material costs. If this is the housing bill slum dwellers from throughout the Nation have been struggling for for years, then we have been miserably mistaken.

Even assuming, a ridiculous assumption, that rooms can be constructed at $1,000 per room, under the limitation of $4,000 a unit and therefore a maximum of four rooms a unit, the real need of housing the larger families can never be realized under this bill. What shall we do with families containing three, four, or more children, especially of both sexes?

This bill was intended to raise the standards of living for slum dwellers, to give them the privacy that is so sadly lacking in their present slums, a lack of privacy that leads to so much immorality and so many evils. We cannot put the growing brother and sister, to say nothing of the grown brother and sister, in one bedroom.

The result, if we insist as we must, on maintaining decent standards, will be to exclude large families. Shall we penalize, because of our lack of foresight, the existing large families and introduce, by necessity, birth-control methods?

An almost direct effect of this provision will be not alone to exclude large families. It will compel just those families, the larger families, that can afford it least, and that need a so much greater proportion of their income for food, clothing, medicine, and so forth, to pay a dangerous and unfair share of their income for rent in indecent slum communities. The price for such a short-sighted policy will be paid in the form of weakly, undernourished children; in the weakening of the future strength of the Nation.

Let us remember that the father of a family of six children gets no special consideration from his employer and earns no more than the father of two children, working in a similar employment.

For these reasons we urge the absolute rejection of this amendment by your committee.

2. While we have the greatest respect for Secretary of the Interior Harold L. Ickes, for his honesty and his ability, yet we cannot but take note of his apparent lack of sympathy for a long-range low-rent housing program. The records of the Public Works Administration for the past few years, its delay in using definitely allocated funds for housing purposes resulting in the diversion of the same into other channels, is conclusive proof of this fact. For these reasons and the fact that low-rent housing is and will continue to be of sufficient importance to warrant an independent set-up, we respectfully urge that the housing authority be independent of any other agency or department of the Government.

In conclusion, we are certain that this committee will not descend to the level of argument in the Senate, to the attacks on the bill based on its benefits to slum dwellers of large cities and particularly of New York City.

Such emphasis on sectionalism is provincial and not becoming to a grave and dignified body of legislators, a body whose individuals, although they represent the individual States, should have a broad outlook, wider than any State or section and should take in the needs of the entire Nation.

It requires no repetition, but merely a reminder, of the unhesitating cooperation given by eastern industrial States to farm, flood, and drought problems.

Dated, August 9, 1937.

LETTER AND RESOLUTION OF CHARLES C. MAYER

WASHINGTON, D. C., *August 10, 1937.*

Hon. HENRY B. STEAGALL,
Chairman, Banking and Currency Committee, House of Representatives.

DEAR SIR: The most important factor in your housing and slum rehabilitation bill seems to have received the least attention, the method of implementing and financing hundreds of thousands of homes.

A 100-percent fractional suggestion that meets all criticisms for supplying money for millions of homes on a self-liquidating basis, I offer herewith in the form of a proposed joint resolution.

JOINT RESOLUTION

Whereas, the issue of Government guaranteed money, now delegated to the private use and control of private bankers and allied interests, is subversive of constitutional authority;

Whereas, private control of the "power to coin money, regulate the value thereof", interferes with "the exertion of the power granted to the Congress" and usurps the sovereignty of government by subjugating the people themselves to the position and condition of vassals; thereby constantly extending and establishing economic and industrial tyranny;

Whereas, the building of 500,000 homes through the use of $1,500 per home for a total of $750,000,000 of honestly created Government money will provide more employment than an equal amount spent with foreigners for useless gold and supply a far better backlog of tangible security for Government-coined money than bankers' bondage money provides for the purchase of needless gold bullion;

Therefore, be it resolved by the United States Senate and House of Representatives, in Congress assembled, that the proposed issue of $700,000,000 of Government-housing bonds be deposited with the United States Treasury Department without private bankers having anything to do with this vital issue of bonds. Then let the Treasury Department hold those bonds for the date of redemption, and deposit them against money issued the same as bankers do the bonds now given to them. To redeem those bonds a charge of 5 percent per annum for 20 years, or 2½ percent for 40 years, must be collected from any municipality or other governmental subdivision that has the use of this money for slum clearance or other housing purposes.

The suggested amount per unit, more or less, would supplement a Federal Housing Administration or other loan.

Respectfully submitted,

CHARLES C. MAYER,
Monetary Authority, Washington, D. C.

(Thereupon, at 5:45 p. m., the committee adjourned until Monday, Aug. 9, 1937, at 10:30 a. m.)

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